

## ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: October 1, 2019

Findings Date: October 1, 2019

Project Analyst: Mike McKillip

Team Leader: Gloria C. Hale

Project ID #: F-11735-19

Facility: Aldersgate at Shalom Park

FID #: 190317

County: Mecklenburg

Applicant: Aldersgate at Shalom Park, Inc.

Project: Develop a new 16-bed ACH facility pursuant to Policy LTC-1 as part of a new CCRC. Eight of the 16 ACH beds will be SCU 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 applicant, Aldersgate at Shalom Park, Inc. (Aldersgate at Shalom Park), proposes to develop a new 16-bed adult care home (ACH) facility as part of a new continuing care retirement community (CCRC). Eight of the 16 ACH beds will be special care unit (SCU) 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 2019 State Medical Facilities Plan (SMFP).

## **Policies**

There are two policies in the 2019 SMFP which are applicable to this review: *Policy LTC-1: Plan Exemption for Continuing Care Retirement Communities - Adult Care Home Beds* and *Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities*.

### **Policy LTC-1**

Policy LTC-1 on page 23 of the 2019 SMFP states:

*“Qualified continuing care retirement communities may include from the outset, or add or convert bed capacity for adult care without regard to the adult care home bed need shown in Chapter 11: Adult Care Homes. To qualify for such exemption, applications for certificates of need shall show that the proposed adult care home bed capacity:*

- 1. Will only be developed concurrently with, or subsequent to, construction on the same site, of independent living accommodations (apartments and homes) for people who are able to carry out normal activities of daily living without assistance; such accommodations may be in the form of apartments, flats, houses, cottages, and rooms.*
- 2. Will provide for the provision of nursing services, medical services, or other health related services as required for licensure by the North Carolina Department of Insurance.*
- 3. Will be used exclusively to meet the needs of people with whom the facility has continuing care contracts (in compliance with the North Carolina Department of Insurance statutes and rules) who have lived in a non-nursing or adult care unit of the continuing care retirement community for a period of at least 30 days. Exceptions shall be allowed when one spouse or sibling is admitted to the adult care home unit at the time the other spouse or sibling moves into a non-nursing or adult care unit, or when the medical condition requiring nursing or adult care home care was not known to exist or be imminent when the individual became a party to the continuing care contract.*
- 4. Reflects the number of adult care home beds required to meet the current or projected needs of residents with whom the facility has an agreement to provide continuing care after making use of all feasible alternatives to institutional adult care home care.*
- 5. Will not participate in the Medicaid program or serve State-County Special Assistance recipients.”*

In Section B.7, pages 15-16, the applicant states the proposed 16 ACH beds will be developed and operated in a manner that is consistent with the requirements of Policy LTC-1. The applicant adequately demonstrates conformance with the requirements of Policy LTC-1.

#### **Policy GEN-4**

Policy GEN-4 on page 31 of the 2019 SMFP states:

*“Any person proposing a capital expenditure greater than \$2 million to develop, replace, renovate or add to a health service facility pursuant to G.S. 131E-178 shall include in its certificate of need application a written statement describing the project’s plan to assure improved energy efficiency and water conservation.*

*In approving a certificate of need proposing an expenditure greater than \$5 million to develop, replace, renovate or add to a health service facility pursuant to G.S. 131E-178, Certificate of Need shall impose a condition requiring the applicant to develop and implement an Energy Efficiency and Sustainability Plan for the project that conforms to or exceeds energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes. The plan must be consistent with the applicant’s representation in the written statement as described in paragraph one of Policy GEN-4.*

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

The proposed capital expenditure for this project is greater than \$5 million. In Section B.11, pages 19-20, the applicant states that the proposed addition will be constructed using energy efficient materials and methods, in compliance with all applicable federal, state, and local requirements for energy efficiency and water conservation.

The applicant adequately demonstrates that the application includes a written statement describing the project’s plan to assure improved energy efficiency and water conservation. Therefore, the application is consistent with Policy GEN-4, subject to Condition (6) of Criterion (4).

#### **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 because the applicant adequately demonstrates that the proposal is consistent with Policy LTC-1 and Policy GEN-4 based on the following reasons:

- The applicant adequately documents its plan for developing the proposed adult care home beds on the same site as the independent living (IL) beds.
  - The applicant adequately documents its plan for developing the proposed adult care home beds to be used exclusively to meet the needs of their IL residents.
  - The applicant adequately documents the number of ACH beds required to meet the current and projected needs of residents with whom the facility has an agreement to provide continuing care.
  - The applicant adequately documents that the proposed additional ACH beds will not be certified for participation in the Medicaid program or serve State-County Special Assistance recipients.
  - The applicant provides a written statement that demonstrates that the project includes 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

Aldersgate at Shalom Park proposes to develop a new ACH facility as part of a new CCRC to be located at the intersection of Providence Road and Jefferson Drive in Charlotte. The CCRC will consist of 125 independent living (IL) units and a 16-bed ACH facility, which will include eight special care unit (memory care) beds. In Section A.1, page 4, the applicant identifies its parent company as Aldersgate Life Plan Services, Inc. On page 23, the applicant states, *“Aldersgate Life Plan Services (Aldersgate), the parent of Aldersgate at Shalom Park, has extensive experience in the provision of CCRC services through its wholly owned subsidiary, Aldersgate United Methodist Retirement Community, which operates Aldersgate at Shamrock Drive, an existing CCRC in Charlotte.”*

### **Patient Origin**

On page 219, the 2019 SMFP defines the service area for adult care home beds as the county in which the adult care home bed is located. Thus, the service area for this proposal is Mecklenburg County. Facilities may also serve residents of counties not included in their service area.

In Section C.3, page 33, the applicant states that all of its projected patients will originate from Mecklenburg County in the third full fiscal year of operation (CY2027). In Section C.3, page 33, the applicant provides the assumptions and methodology used to project its patient origin. The applicant's assumptions are reasonable and adequately supported.

### **Analysis of Need**

In Section C.4, pages 33-39, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, as summarized below.

- Historical and projected population growth and population aging in the Mecklenburg County service area (pages 34-35).
- The lack of a culturally Jewish CCRC to service the Mecklenburg County community of Jewish elders and enable them to remain in their faith-based community as they age (pages 35-38).
- The applicant's experience regarding the need for ACH beds based on the total number of IL units in the CCRC (pages 38-39).

The information in the pages referenced above is reasonable and adequately supported for the following reasons:

- The applicant provides data from the North Carolina Office of State Budget and Management (NCOSBM) projecting the growth and aging of the Mecklenburg County population.
- The applicant projects the need for ACH beds based on a ratio of 8 IL units to one ACH bed, which is supported by the applicant's experience operating a CCRC.

### *Projected Utilization*

In Section Q, Form C, the applicant provides projected utilization, as summarized in the table below.

<b>Aldersgate at Shalom Park Projected Utilization</b>				
	<b>Partial Year 4/1/2024 – 12/31/2024</b>	<b>First FFY CY2025</b>	<b>Second FFY CY2026</b>	<b>Third FFY CY2027</b>
<b>General ACH Beds</b>				
Patient Days	551	2,230	2,774	2,774
Occupancy Rate	18.9%	76.4%	95.0%	95.0%
# Beds	8	8	8	8
<b>SCU ACH Beds</b>				
Patient Days	551	2,230	2,774	2,774
Occupancy Rate	18.9%	76.4%	95.0%	95.0%
# Beds	8	8	8	8
<b>Total ACH Beds</b>				
Patient Days	1,102	4,460	5,548	5,548
Occupancy Rate	18.9%	76.4%	95.0%	95.0%
# Beds	16	16	16	16

In Section Q, Form C, pages 1-5, the applicant provides the assumptions and methodology used to project utilization. On page 2, the applicant states,

*“In order to project the utilization of the 16 proposed ACH beds, Aldersgate assumed a fill up rate equivalent to 0.4 patients per month until the 16 ACH beds (including the eight memory care beds) reach 95 percent occupancy. These assumptions are based on industry standards as well as Aldersgate’s historical experience and, in particular, the fill up experience for its previously approved project to develop 16 additional ACH beds (Project ID # F-10290-14) at Cuthbertson Village at Aldersgate. The 16 additional ACH beds at Cuthbertson Village at Aldersgate reached 88 percent occupancy within the first 12 months of operation, which is equivalent to a fill up rate of 1.2 patients per month. As such, Aldersgate at Shalom Park’s projections include a conservative fill up rate that is one-third of the rate experienced at the existing facility.”*

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

- Projected utilization is based upon historical utilization of the ACH beds at Cuthbertson Village at Aldersgate, which is a ACH facility that is part of a CCRC located in Mecklenburg County and operated by Aldersgate Live Plan Services, Inc., the applicant’s parent company.
- Projected utilization is supported by projected population growth in Mecklenburg County, particularly for the age 75+ population.

**Access**

In Section C.8, page 43, the applicant states, “Aldersgate at Shalom Park will provide services to all members and will not discriminate who is eligible to receive financial assistance funds when available based on race, creed, color, national origin, religion, or sexual preference.”

In Section L.3, page 78, the applicant projects that all of the ACH patient days of care will be provided to private pay patients in the third full fiscal year of operation (CY2027) following completion of the project. The applicant states,

*“All of Aldersgate at Shalom Park proposed ACH beds will be closed or sheltered beds developed pursuant to Policy LTC-1 and will only accept admissions from the CCRC’s campus residents. As such, 100 percent of the projected payor source will be private pay through the defined residents’ healthcare benefit contract with Aldersgate at Shalom Park.”*

The projected payor mix is reasonable and adequately supported.

### **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 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.

NA

The applicant does not propose the reduction or elimination of a service. Therefore, Criterion (3a) is not applicable to this review.

- (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.

C

Aldersgate at Shalom Park proposes to develop a new 16-bed ACH facility, which will include eight special care unit (memory care) beds, as part of a new CCRC in Charlotte.

In Section E.2, pages 50-51, 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:

- Maintain the status quo – The applicant states this was not an effective alternative due to the fact that it would not meet the need for culturally Jewish elder care in the Mecklenburg County service area.
- Develop the CCRC at a different location – The applicant considered a different location, but determined that the alternative was less effective because it would not be co-located with the other services and organizations at Shalom Park.

On page 39, the applicant states this proposal is the most effective alternative because it *“has resulted in a proposed CCRC designed to honor the Jewish faith and be seamlessly integrated into the Shalom Park campus.”*

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 alternative will address the need for culturally Jewish elder care in the Mecklenburg County service area.
- The proposed location will enable the facility to be co-located with other services and organizations at Shalom Park.

### **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. Therefore, the application is approved subject to the following conditions:

- 1. Aldersgate at Shalom Park, Inc. shall materially comply with all representations made in the certificate of need application.**
- 2. Aldersgate at Shalom Park, Inc. shall develop no more than 16 adult care home beds pursuant to Policy LTC-1 upon completion of the project.**
- 3. The 16 Policy LTC-1 adult care home beds shall not participate in the Medicaid program or serve State-County Special Assistance recipients.**

- 4. The 16 Policy LTC-1 adult care home beds shall be used exclusively to meet the needs of persons with whom the facility has continuing care contracts (in compliance with the Department of Insurance statutes and regulations) who have lived in a non-nursing or adult care unit of the continuing care facility for a period of at least 30 days. Exceptions shall be allowed when one spouse or sibling is admitted to the adult care home unit at the time the other spouse or sibling moves into a non-nursing or adult care unit, or when the medical condition requiring nursing or adult care home care was not known to exist or be imminent when the individual became a party to the continuing care contract.**
  - 5. The 16 Policy LTC-1 adult care home beds shall be developed on the same site with the independent living units.**
  - 6. Aldersgate at Shalom Park, Inc. shall develop and implement an Energy Efficiency and Sustainability Plan for the project that conforms to or exceeds energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes.**
  - 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, Aldersgate at Shalom Park, 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. Aldersgate at Shalom Park, 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

Aldersgate at Shalom Park proposes to develop a new 16-bed ACH facility, which will include eight special care unit (memory care) beds, as part of a new CCRC in Charlotte.

Capital and Working Capital Costs

In Section Q, the applicant projects the total capital cost of the project as shown in the table below.

Site Costs	\$692,975
Construction Costs	\$6,289,947
Architect/Engineering Fees	\$320,523
Non-Medical Equipment	\$99,823
Furniture	\$471,658
Consultant Fees	\$178,445
Financing Costs	\$159,415
Interest during Construction	\$1,338,378
Miscellaneous/Other	\$638,223
<b>Total</b>	<b>\$10,189,387</b>

In Section Q, Form F.1(a), the applicant provides the assumptions used to project the capital cost.

In Section F.3, pages 54-55, the applicant projects that start-up costs will be \$72,617 and initial operating expenses will be \$2,237,983 for a total working capital cost of \$2,310,599. In Section F.3, the applicant provides the assumptions and methodology used to project the working capital needs of the project.

Availability of Funds

In Section F.2, page 52, the applicant states that the capital cost will be funded as shown in the table below.

Type	Aldersgate at Shalom Park, Inc.	Total
Loans	\$0	\$0
Accumulated reserves or OE *	\$0	\$0
Bonds	\$10,189,387	\$10,189,387
Other	\$0	\$0
<b>Total Financing</b>	<b>\$10,189,387</b>	<b>\$10,189,387</b>

\* OE = Owner's Equity

In Section F.2, page 55, the applicant states that the capital cost will be funded as shown in the table below.

**Sources of Working Capital Cost Financing**

Type	Aldersgate at Shalom Park, Inc.	Total
Loans	\$0	\$0
Accumulated reserves or OE *	\$0	\$0
Bonds	\$2,310,599	\$2,310,599
Other	\$0	\$0
<b>Total Financing</b>	<b>\$2,310,599</b>	<b>\$2,310,599</b>

\* OE = Owner's Equity

Exhibit F.2 contains a letter dated July 15, 2019 from a Managing Director for BB&T Capital Markets documenting their intention to underwrite a bond issue on behalf of the applicant to finance the capital and working capital costs of the proposed project.

Financial Feasibility

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

<b>Aldersgate at Shalom Park Revenue and Expenses</b>			
	<b>FFY 1 (CY2025)</b>	<b>FFY 2 (CY2026)</b>	<b>FFY 3 (CY2027)</b>
Total Patient Days	4,460	5,548	5,548
Total Gross Revenues	\$1,189,882	\$1,524,554	\$1,570,291
Total Net Revenue	\$1,189,882	\$1,524,554	\$1,570,291
Average Net Revenue/Patient Day	\$267	\$275	\$283
Total Operating Expenses (Costs)	\$2,230,470	\$2,292,537	\$2,273,504
Average Operating Expense/Patient Day	\$500	\$413	\$410
Net Income / (Loss)	(\$1,040,587)	(\$767,983)	(\$703,213)

However, in Exhibit F.4, the applicant projects that the CCRC, as a whole, will achieve positive operating income before depreciation and amortization (positive cash flow) by the third operating year, and positive net income by year seven.

The assumptions used by the applicant 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 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.
  - The applicant adequately demonstrates 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

Aldersgate at Shalom Park proposes to develop a new ACH facility as part of a new CCRC to be located at the intersection of Providence Road and Jefferson Drive in Charlotte. The CCRC will consist of 125 independent living (IL) units and a 16-bed ACH facility, which will include eight special care unit (memory care) beds.

On page 219, the 2019 SMFP defines the service area for adult care home beds as the county in which the adult care home bed is located. Thus, the service area for this proposal is Mecklenburg County. Facilities may also serve residents of counties not include in their service area.

On pages 234-236 of the 2019 SMFP, Table 11A documents that there are a total of 47 existing or approved facilities in Mecklenburg County that offer or will offer ACH services. The table below is a summary of those 47 facilities in Mecklenburg County, recreated from the 2019 SMFP, Chapter 11, Table 11A (pages 234-236) and Table 11C (page 251). There is a projected surplus of 218 ACH beds in 2022 for Mecklenburg County.

<b>2018 ACH Inventory and 2022 Need Projections for Mecklenburg County</b>	
# ACH Facilities	47
# Beds in ACH Facilities	2,839
# Beds in Nursing Facilities	80
Total # Licensed Beds	2,919
# CON Approved Beds (License Pending)	200
Total # ACH Beds in Planning Inventory	3,119
Projected Bed Utilization Summary	2,901
Projected Bed Surplus (Deficit)	218

In Section G.3 pages 61-62, the applicant explains why it believes the proposal would not result in the unnecessary duplication of existing or approved ACH services in Mecklenburg County. On page 62, the applicants state:

*“The proposed project will ensure that adequate capacity is available for residents of Aldersgate at Shalom Park when needed. Aldersgate will sign defined healthcare benefit contracts with its residents to provide care for them in the most appropriate healthcare setting throughout their lives. Therefore, Aldersgate not only will have a commitment to its residents, but also will be contractually bound to provide such care, including ACH services. ... In consideration of the growth and aging of Mecklenburg County, the growing demand for general ACH and memory care services at a CCRC, and the unique needs of the Jewish elders, the proposed project will not result in unnecessary duplication of the existing or approved ACH facilities, including special care units, located in the service area.”*

The applicant adequately demonstrates that the 16 Policy LTC-1 ACH beds will not result in an unnecessary duplication of the existing or approved services in Mecklenburg County for the following reasons:

- The applicant adequately demonstrates the need that independent living unit residents at Aldersgate at Shalom Park will have for the Policy LTC-1 ACH beds at the CCRC.
- The applicant adequately documents that the 16 ACH beds will be used exclusively by people who already reside at the CCRC.
- The applicant adequately demonstrates that the proposed ACH beds are needed in addition to the existing or approved adult care home beds in the service area.

### **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 applicant provides projected staffing for the proposed services as illustrated in the following table.

<b>Aldersgate at Shalom Park Proposed Staffing 3rd Project Year (CY2027)</b>	
<b>Position</b>	<b>Total</b>
Registered Nurse-Care Coordinator	1.00
Registered Nurse	2.80
Aides-Certified Nurse Assistant	7.00
Aides-Clinic Nurse	1.00
Aides-Medical Office Assistant	1.00
Dietary	2.10
Social Services	0.27
Activities-ACH/SCU	0.50
Activities-Physical Fitness	0.27
Activities-Spiritual Life	0.14
Administration	0.23
<b>Totals</b>	<b>16.31</b>

The assumptions and methodology used to project staffing are provided in Section Q, Form H. Adequate costs for the health manpower and management positions proposed by the applicant are budgeted in Form F.4, which is found in Section Q. In Section H, pages 64-65, the applicant describes the methods to be used to recruit or fill new positions and its proposed training and continuing education programs. In Section H.4, page 66, the applicant identifies the medical director for the proposed facility, and Exhibit H.4 contains a copy of a letter from the medical director expressing his willingness to serve in that capacity.

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

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 Section I.1, page 67, the applicant identifies the ancillary and support services necessary for the proposed services, including therapy services, dental care, diagnostic services and

pharmacy services. The applicant adequately explains how each ancillary and support service will be made available and provides supporting documentation in Exhibits C.1-2 and C.1-3.

In Section I.2, pages 67-68, the applicant describes its efforts to develop relationships with other local health care and social service providers and provides supporting documentation in Exhibit I.2.

The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

NA

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

- (11) Repealed effective July 1, 1987.
- (12) Applications involving construction shall demonstrate that the cost, design, and means of construction proposed represent the most reasonable alternative, and that the construction project will not unduly increase the costs of providing health services by the person proposing the construction project or the costs and charges to the public of providing health services by other persons, and that applicable energy saving features have been incorporated into the construction plans.

C

In Section K.1, page 70, the applicant states that the project involves constructing 18,300 square feet of new space. Line drawings are provided in Exhibit C.1-1.

In Section K.3, page 70, the applicant adequately explains how the cost, design, and means of construction represent the most reasonable alternative for the proposal.

In Section K.3, page 71, the applicant adequately explains 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.

In Section K.3, pages 71-72, the applicant identifies any applicable energy saving features that will be incorporated into the construction plans.

On pages 73-74, the applicant identifies the proposed site and provides information about the current owner, zoning and special use permits for the site, and the availability of water, sewer, and waste disposal at the site, and provides supporting documentation in Exhibit K.4-3.

### **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;

NA

The applicant proposes to develop a new ACH facility as part of a CCRC which has not yet been developed. Also, the applicant does not propose to relocate any existing 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;

NA

The applicant proposes to develop a new ACH facility as part of a CCRC which has not yet been developed. Also, the applicant does not propose to relocate any existing ACH beds.

- (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.3, page 78, the applicant projects 100% of patients in the proposed ACH beds will be private pay in the third year of operation (CY2027). Policy LTC-1: Plan Exemption for Continuing Care Retirement Communities requires the applicants to use the proposed additional ACH beds exclusively to meet the needs of people with whom the facility has continuing care contracts and who have lived at the CCRC for at least 30 days. The Policy also prohibits the applicants from participation in the Medicaid program and serving State-County Special Assistance recipients in the Policy LTC-1 beds.

The projected payor mix is reasonable and adequately supported because the proposed Policy LTC-1 ACH beds are prohibited from participation in the Medicaid program or the State-County Special Assistance program.

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.5, page 78, the applicant adequately describes 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 Section M.1, page 80, 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 M.1.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

Aldersgate at Shalom Park proposes to develop a new ACH facility as part of a new CCRC to be located at the intersection of Providence Road and Jefferson Drive in Charlotte. The CCRC will consist of 125 independent living (IL) units and a 16-bed ACH facility, which will include eight special care unit (memory care) beds.

On page 219, the 2019 SMFP defines the service area for adult care home beds as the county in which the adult care home bed is located. Thus, the service area for this proposal is Mecklenburg County. Facilities may also serve residents of counties not include in their service area.

On pages 234-236 of the 2019 SMFP, Table 11A documents that there are a total of 47 existing or approved facilities in Mecklenburg County that offer or will offer ACH services. The table below is a summary of those 47 facilities in Mecklenburg County, recreated from the 2019 SMFP, Chapter 11, Table 11A (pages 234-236) and Table 11C (page 251). There is a projected surplus of 218 ACH beds in 2022 for Mecklenburg County.

<b>2018 ACH Inventory and 2022 Need Projections for Mecklenburg County</b>	
# ACH Facilities	47
# Beds in ACH Facilities	2,839
# Beds in Nursing Facilities	80
Total # Licensed Beds	2,919
# CON Approved Beds (License Pending)	200
Total # ACH Beds in Planning Inventory	3,119
Projected Bed Utilization Summary	2,901
Projected Bed Surplus (Deficit)	218

In Section N, pages 81-82, the applicant describes the expected effects of the proposed services on competition in the service area and discusses how any enhanced competition will promote the cost-effectiveness, quality and access to the proposed services.

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 F and Q),
- Quality services will be provided (see Section O of the application and any exhibits), and
- Access will be provided to underserved groups (see Section L of the application and any exhibits).

### **Conclusion**

The Agency reviewed the:

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

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 Form A, the applicant identifies the nursing and adult care home facilities located in North Carolina owned, operated or managed by the applicant or a related entity. The applicant identifies a total of two adult care home facilities, and one nursing facility which also operates adult care home beds, located in North Carolina.

In Section O.3, page 84 the applicant states that, during the 18 months immediately preceding the submittal of the application, no incidents related to quality of care occurred in any of these facilities. According to the files in the Nursing Home Licensure and Certification and Adult Care Licensure Sections, DHSR, 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 applicant and by the Nursing Home Licensure and Certification and Adult Care Licensure Sections and considering the quality of care provided at all three facilities, the applicant provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

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

NA

The applicants propose to develop ACH beds pursuant to Policy LTC-1. The Criteria and Standards for Nursing Facility or Adult Care Home Services promulgated in 10A NCAC 14C .1100 are not applicable to this review because beds added pursuant to Policy LTC-1 are used exclusively to meet the needs of people with whom the facility has continuing care contracts who have lived in a non-nursing unit of the center for a period of at least 30 days.