

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: March 21, 2019

Findings Date: March 21, 2019

Project Analyst: Mike McKillip

Team Leader: Gloria Hale

Project ID #: L-11623-18

Facility: Wilson Pines Nursing and Rehabilitation Center

FID #: 923039

County: Wilson

Applicants: Hillco, Ltd.

Spruce LTC Group, LLC

Project: Add 13 nursing care beds to Wilson Pines Nursing and Rehabilitation Center by relocating five existing nursing care beds from Richmond Pines Nursing & Rehabilitation Center (Richmond County), five existing nursing care beds from Westwood Hills Nursing and Rehabilitation Center (Wilkes County), and three existing nursing care beds from Enfield Oaks Nursing and Rehabilitation Center (Halifax County) for a total of 108 nursing care beds and 17 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, Hillco, Ltd. and Spruce LTC Group, LLC d/b/a Wilson Pines Nursing and Rehabilitation Center [**Wilson Pines**] propose to add 13 nursing care beds by relocating five existing nursing care beds from Richmond Pines Nursing & Rehabilitation Center (Richmond County), five existing nursing care beds from Westwood Hills Nursing and Rehabilitation Center (Wilkes County), and three existing nursing care beds from Enfield Oaks Nursing and Rehabilitation Center (Halifax County) for a total of 108 nursing care beds and 17 adult care home beds at Wilson Pines in Wilson County.

Need Determination

The proposed project does not involve the addition of any new health service facility beds, services or equipment for which there is a need determination in the 2018 State Medical Facilities Plan (2018 SMFP). Therefore, there are no need determinations applicable to this review.

Policies

Policy NH-6: Relocation of Nursing Facility Beds from the 2018 SMFP, page 25, is applicable to this review.

Policy NH-6

Policy NH-6 states:

“Policy NH-6: Relocation of Nursing Facility Beds Relocations of existing licensed nursing facility beds are allowed. Certificate of need applicants proposing to relocate licensed nursing facility beds shall:

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

The applicants propose to relocate a total of 13 nursing care beds from three different existing nursing facilities located in three counties. The following table shows the projected 2021 nursing care beds surpluses for each of the counties from the 2018 SMFP, Table 10C: Nursing Care Bed Need Projections, pages 205-207, and the projected surpluses after the proposed relocation of nursing care beds.

2018 SMFP Nursing Care Beds Surpluses

County	Projected Nursing Care Bed Surplus*	Nursing Care Beds to be Relocated in the Proposed Project	Nursing Care Bed Surplus After Proposed Relocations
Halifax	+66	-3	+63
Richmond	+35	-5	+30
Wilkes	+41	-5	+36

*From the 2018 SMFP, Table 10C: Nursing Care Bed Need Projections for 2021, pages 205-207.

As shown in the table above, the three counties from which the applicants propose to relocate nursing care beds will continue to have a projected surplus of nursing care beds following the proposed relocations.

Also, the 2018 SMFP, Table 10C: Nursing Care Bed Need Projections for 2021 indicates that Wilson County has a projected deficit of 16 nursing care beds. Therefore, Wilson County would continue to have a deficit of three nursing care beds $[16 - 13 = 3]$ following the proposed relocation of nursing care beds in this project. Therefore, the application is consistent with Policy NH-6.

Conclusion

The Agency reviewed the:

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

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

- The applicants adequately demonstrate that the proposal is consistent with Policy NH-6 for the following reasons:
 - The applicants demonstrate that the proposal will not result in a deficit, or increase an existing deficit in the number of licensed nursing care beds in Wilson county.
 - The applicants demonstrate that the proposal will not result in a surplus, or increase an existing surplus in the number of licensed nursing care beds in Wilson County.

- (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

Wilson Pines proposes to add 13 nursing care beds by relocating five existing nursing care beds from Richmond Pines Nursing & Rehabilitation Center (Richmond County), five existing nursing care beds from Westwood Hills Nursing and Rehabilitation Center (Wilkes County), and three existing nursing care beds from Enfield Oaks Nursing and Rehabilitation Center (Halifax County) for a total of 108 nursing care beds and 17 adult care home beds. Based on

information reported in the 2018 SMFP, Wilson Pines currently operates 95 nursing care beds and 30 adult care home beds. Therefore, upon completion of the proposed project, Wilson Pines will delicense 13 ACH beds and operate a total of 108 nursing care beds [95 + 13 = 108] and 17 adult care home beds [30 – 13 = 17].

Patient Origin

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

In Section C.3, pages 24-25, the applicants provide the historical and projected patient origin for the nursing care beds at Wilson Pines, as shown in the table below:

Wilson Pines Nursing and Rehabilitation Center Patient Origin

County	Actual FFY2018	Projected FFY2022
Wilson	74.3%	74.2%
Nash	11.4%	11.4%
Johnston	4.2%	4.2%
Wayne	3.3%	3.3%
Wake	1.6%	1.7%
Lenoir	1.3%	1.4%
Edgecombe	0.7%	0.6%
Davidson	0.3%	0.3%
Pitt	0.3%	0.3%
Other	2.6%	2.5%
Total	100.0%	100.0%

In Section C.3, page 25, the applicants provide the assumptions and methodology used to project patient origin. The applicants’ assumptions regarding patient origin are reasonable and adequately supported because they are based on the applicants’ historical experience.

Analysis of Need

In Section C.4, pages 26-29, the applicants describe why they believe the population projected to utilize the proposed nursing care beds in Wilson County needs those beds, as summarized below:

- The applicants cite the growth in the Wilson County population age 65 and over, which is projected to grow by 21 percent from 2018 to 2025, and age 75 and over, which is projected to grow by 28 percent from 2018 to 2025, based on data from the North Carolina Office of State Budget and Management (pages 26-27).
- The applicants state the Wilson County population is concentrated in the Town of Wilson, and projected growth patterns indicate that the pattern will continue in the

future. Therefore, the addition of nursing care beds in the Town of Wilson, where Wilson Pines is located, is supported by the intra-county population distribution (pages 28-29).

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

- The applicants provide data to support the projected growth of the Wilson County population age 65 and over (pages 26-27).
- The applicants provide data to support their assertions regarding the concentration of the Wilson County population in the Town of Wilson and the need for nursing care beds in the area (pages 28-29).

Projected Utilization

In Section Q, page 80, the applicants provide historical and projected utilization for the nursing care beds and ACH beds at Wilson Pines during Federal Fiscal Year 2018 and the first three full federal fiscal years (FFY2020-FFY2022) of operation upon project completion, as shown in the following table:

**Wilson Pines Nursing and Rehabilitation Center
 Form C Utilization**

	Prior FFY 10/1/17-9/30/18	1st Full FFY 10/1/19-9/30/20	2nd Full FFY 10/1/20-9/30/21	3rd Full FFY 10/1/21-9/30/22
Nursing Care Beds				
# of Beds	95	108	108	108
Patient Days	31,341	34,956	35,478	35,478
Occupancy Rate	90.4%	88.7%	90.0%	90.0%
ACH Beds				
# of Beds	30	17	17	17
Patient Days	5,872	5,895	5,895	5,895
Occupancy Rate	53.6%	95.0%	95.0%	95.0%

As shown in the table above, the applicants project the occupancy rate for the total nursing care beds at the proposed facility will be 90 percent in the second full year of operation of the project, which equals the utilization rate required in 10A NCAC 14C .1102(b).

In Section Q, page 81, the applicants describe the assumptions and methodology used to project utilization of the Wilson Pines nursing care and ACH beds as follows:

“For Year 1 utilization, the applicants assumed that the remaining 17 ACH beds would remain occupied at 100% capacity based on current experience. For the 13 new NF beds, we assumed 79% occupancy after an initial fill-up period of 3 months.

For Years 2 & 3, the applicants assumed the following: ... Wilson Pines operates consistently around 90% total occupancy of its NF beds. 13 new beds is a relatively

small number and after an initial fill-up period, we projected 90% occupancy, which we believe, based on historical experience, we will achieve and maintain.”

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

- The applicants project admissions to the proposed nursing care facility based on their experience operating the existing nursing care beds at the Wilson Pines facility.
- The applicants’ utilization projections are supported by the historical and projected growth and aging of the Wilson County population, particularly for older patient populations.

Access

In Section L, page 63, the applicants state Wilson Pines will continue to provide services to all persons, including medically underserved populations. In Section L.3, pages 63 and 65, the applicants provide the historical (September 1, 2017 through August 31, 2018) and projected (FFY2022) payor mix for the nursing care beds at Wilson Pines, as illustrated in the following table.

Payor Source	Actual Nursing Care Patient Days as a Percent of Total Patient Days 9/1/17-8/31/2018	Projected Nursing Care Patient Days as a Percent of Total Patient Days FFY2022
Private Pay	3%	3%
Medicare	23%	23%
Medicaid	71%	71%
Other (managed care)	4%	4%
Total	100%	100%

The projected payor mix is reasonable and adequately supported.

Conclusion

The Agency reviewed the:

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

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

- The applicant adequately identifies the population to be served.
- The applicant adequately explains why the population to be served needs the services proposed in this application.
- Projected utilization is reasonable and adequately supported.

- The applicant projects the extent to which all residents, including underserved groups, will have access to the proposed services (payor mix) and adequately supports its assumptions.

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

C

Wilson Pines proposes to add 13 nursing care beds by relocating five existing nursing care beds from Richmond Pines Nursing & Rehabilitation Center (Richmond County), five existing nursing care beds from Westwood Hills Nursing and Rehabilitation Center (Wilkes County), and three existing nursing care beds from Enfield Oaks Nursing and Rehabilitation Center (Halifax County). Based on information reported in the 2018 SMFP, Wilson Pines Nursing and Rehabilitation Center currently operates 95 nursing care beds and 30 adult care home beds. Therefore, upon completion of the proposed project, Wilson Pines would operate 108 nursing care beds [$95 + 13 = 108$] and 17 adult care home beds [$30 - 13 = 17$] upon delicensure of 13 ACH beds.

In Section D, pages 36-37, the applicants explain why they believe the needs of the population presently utilizing the nursing care beds to be relocated will be adequately met following completion of the project.

Westwood Hills Nursing and Rehabilitation (Wilkes County)

Westwood Hills Nursing and Rehabilitation is currently licensed for 176 nursing care beds. The applicants propose to relocate five nursing care beds from the facility, which will reduce the total number of nursing care beds at Westwood Hills Nursing and Rehabilitation to 171. On page 36 of the application, the applicants state,

“Westwood Hills Nursing & Rehabilitation has averaged 42 empty NF beds in FY2018 and averaged 25 empty NF beds in FY2017. Relocating 5 NF beds as part of this proposal will not affect current or future residents.”

In Section Q, page 83, the applicants provide a table showing the projected utilization of the Westwood Hills Nursing and Rehabilitation facility in the first three operating years of the proposed project, as shown below:

**Westwood Hills Nursing and Rehabilitation Center
 Form D Utilization**

	1st Full FFY 10/1/19-9/30/20	2nd Full FFY 10/1/20-9/30/21	3rd Full FFY 10/1/21-9/30/22
Nursing Care Beds			
# of Beds	171	171	171
Patient Days	50,710	52,405	53,875
Occupancy Rate	81.2%	84.0%	86.3%

In Section Q, page 83, the applicants describe the assumptions and methodology used to project utilization of the Westwood Hills nursing care beds as follows:

“The current Average Daily Census (ADC) is the baseline occupancy. For each project year, Y1 through Y3, which correspond to 2019, 2020 and 2021, the current ADC was advanced by the projected growth in 75+ population for Wilkes County. We believe this is a reasonable projection and is supported by a Linear Trend with Seasonal Forecasting Comparison analysis, contained in Exhibit D, which projects ADC values within the same general range as the Pop. % increase method. We believe that since there is a correlation between SNF use and 75+ age, it is appropriate to inflate ADC by this amount, but also necessary to consider prior-periods data forecasting. Furthermore, it is important to note that the population growth in Wilkes County is projected to lag behind statewide averages.”

Projected utilization is reasonable and adequately supported based on the following:

- The projections are based on the facility’s historical utilization.
- The projections are supported by the projected population growth for persons 75 years and older.

Richmond Pines Nursing and Rehabilitation (Richmond County)

Richmond Pines Nursing and Rehabilitation is currently licensed for 105 nursing care beds. The applicants propose to relocate five nursing care beds from the facility, which will reduce the total number of nursing care beds at Richmond Pines Nursing and Rehabilitation to 100. On page 36 of the application, the applicants state,

“Richmond Pines Nursing & Rehabilitation has averaged 25 empty NF beds in FY2018 and averaged 13 empty NF beds in FY2017. Relocating 5 NF beds as part of this proposal will not affect current or future residents.”

In Section Q, page 84, the applicants provide a table showing the projected utilization of the Richmond Pines Nursing and Rehabilitation facility in the first three operating years of the proposed project, as shown below:

**Richmond Pines Nursing and Rehabilitation Center
 Form D Utilization**

	1st Full FFY 10/1/19-9/30/20	2nd Full FFY 10/1/20-9/30/21	3rd Full FFY 10/1/21-9/30/22
Nursing Care Beds			
# of Beds	100	100	100
Patient Days	29,185	29,684	30,587
Occupancy Rate	80.0%	81.3%	83.8%

In Section Q, page 84, the applicants describe the assumptions and methodology used to project utilization of the Richmond Pines nursing care beds as follows:

“The current Average Daily Census (ADC) is the baseline occupancy. For each project year, Y1 through Y3, which correspond to 2019, 2020 and 2021, the current ADC was advanced by the projected growth in 75+ population for Wilkes [sic] County. We believe this is a reasonable projection and is supported by a Linear Trend with Seasonal Forecasting Comparison analysis, contained in Exhibit D, which projects ADC values within the same general range as the Pop. % increase method. We believe that since there is a correlation between SNF use and 75+ age, it is appropriate to inflate ADC by this amount, but also necessary to consider prior-periods data forecasting. Furthermore, it is important to note that the population growth in Richmond County is projected to lag well behind statewide averages.”

Projected utilization is reasonable and adequately supported based on the following:

- The projections are based on the facility’s historical utilization.
- The projections are supported by the projected population growth for persons 75 years and older.

Enfield Oaks Nursing and Rehabilitation (Halifax County)

Enfield Oaks Nursing and Rehabilitation is currently licensed for 63 nursing care beds. The applicants propose to relocate three nursing care beds from the facility, which will reduce the total number of nursing care beds at Enfield Oaks Nursing and Rehabilitation to 60. On page 36 of the application, the applicants state,

“Enfield Oaks Nursing & Rehabilitation has averaged 25 empty NF beds in FY2018 and averaged 22 empty NF beds in FY2017. Relocating 3 NF beds as part of this proposal will not affect current or future residents.”

In Section Q, page 85, the applicants provide a table showing the projected utilization of the Enfield Oaks Nursing and Rehabilitation facility in the first three operating years of the proposed project, as shown below:

**Enfield Oaks Nursing and Rehabilitation Center
Form D Utilization**

	1st Full FFY 10/1/19-9/30/20	2nd Full FFY 10/1/20-9/30/21	3rd Full FFY 10/1/21-9/30/22
Nursing Care Beds			
# of Beds	60	60	60
Patient Days	14,036	14,084	14,223
Occupancy Rate	64.1%	64.3%	64.9%

In Section Q, page 85, the applicants describe the assumptions and methodology used to project utilization of the Enfield Oaks nursing care beds as follows:

“The current Average Daily Census (ADC) is the baseline occupancy. For each project year, Y1 through Y3, which correspond to 2019, 2020 and 2021, the current ADC was advanced by the projected growth in 75+ population for Wilkes [sic] County. We believe this is a reasonable projection and is supported by a Linear Trend with Seasonal Forecasting Comparison analysis, contained in Exhibit D, which projects ADC values within the same general range as the Pop. % increase method. We believe that since there is a correlation between SNF use and 75+ age, it is appropriate to inflate ADC by this amount, but also necessary to consider prior-periods data forecasting. Furthermore, it is important to note that the population growth in Halifax County is projected to lag well behind statewide averages.”

Projected utilization is reasonable and adequately supported based on the following:

- Historical utilization data reported by the applicants indicate that the number of nursing care beds that will remain at each of the affected facilities after the proposed relocation will be adequate to meet the needs of the population presently served.
- Based on the historical utilization, none of the nursing care beds that the applicants propose to relocate are currently being utilized by residents at the existing facility, therefore no residents will be negatively affected by the proposed relocation.

In Section D.4, pages 39-40, the applicants state the reduction in the number of beds at the existing facilities and their relocation to Wilson Pines will not negatively impact the applicants’ commitment to provide services to medically underserved populations.

Conclusion

The Agency reviewed the:

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

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

- The needs of the population currently using the services to be 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

Wilson Pines proposes to add 13 nursing care beds by relocating five existing nursing care beds from Richmond Pines Nursing & Rehabilitation Center (Richmond County), five existing nursing care beds from Westwood Hills Nursing and Rehabilitation Center (Wilkes County), and three existing nursing care beds from Enfield Oaks Nursing and Rehabilitation Center (Halifax County) for a total of 108 nursing care beds and 17 adult care home beds.

In Section E.2, pages 41-42, the applicants state there were no other alternatives considered because the 2018 SMFP does not show a need determination for additional nursing care beds in Wilson County. Therefore, the applicants state the only alternative available to meet the identified need for additional nursing care beds in Wilson County was to relocate the beds from underutilized facilities located in counties with a projected surplus of beds based on the 2018 SMFP need determination methodology.

In Section E.3, page 41, the applicants state that relocating the beds to the Wilson Pines facility would be the most effective alternative to meet the needs of Wilson County residents because it would result in beds that are not currently being utilized in counties with a surplus of nursing care beds becoming utilized in an existing facility in a county with a nursing care bed deficit, according to the nursing care bed need methodology in the 2018 SMFP.

The applicants adequately demonstrate that the alternative proposed in this application is the most effective alternative to meet the need because it will relocate unutilized nursing care beds from existing facilities to an existing facility in a location with a need for additional nursing care beds, according to the nursing care bed need methodology in the 2018 SMFP.

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

- 1. Hillco, Ltd. and Spruce LTC Group, LLC shall materially comply with all representations made in the certificate of need application.**
- 2. Hillco, Ltd. and Spruce LTC Group, LLC shall add 13 nursing care beds at Wilson Pines Nursing and Rehabilitation Center for a total of no more than 108 nursing care beds and 17 adult care home beds at the facility by relocating five nursing care beds from Richmond Pines Nursing and Rehabilitation Center (Richmond County), five nursing care beds from Westwood Hills Nursing and Rehabilitation Center (Wilkes County), and three nursing care beds from Enfield Oaks Nursing and Rehabilitation Center (Halifax County).**
- 3. Upon completion of the project, Hillco, Ltd. and Spruce LTC Group, LLC shall delicense 13 adult care home beds for a total of no more 17 adult care home beds at Wilson Pines Nursing and Rehabilitation Center.**
- 4. Upon completion of the project, Richmond Pines Nursing and Rehabilitation Center shall delicense five nursing care beds and shall be licensed for no more than 100 nursing care beds and ten adult care home beds.**
- 5. Upon completion of the project, Westwood Hills Nursing and Rehabilitation Center shall delicense five nursing care beds and shall be licensed for no more than 171 nursing care beds and ten adult care home beds.**
- 6. Upon completion of the project, Enfield Oaks Nursing and Rehabilitation Center shall delicense three nursing care beds and shall be licensed for no more than 60 nursing care beds.**
- 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, Hillco, Ltd. and Spruce LTC Group, LLC shall submit, on the form provided by the Healthcare Planning and Certificate of Need Section, an annual report containing the:**
 - a. Payor mix for the services authorized in this certificate of need.**
 - b. Utilization of the services authorized in this certificate of need.**
 - c. Revenues and operating costs for the services authorized in this certificate of need.**
 - d. Average gross revenue per unit of service.**
 - e. Average net revenue per unit of service.**
 - f. Average operating cost per unit of service.**
- 8. For the first two years of operation following completion of the project, Hillco, Ltd. and Spruce LTC Group, LLC 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.**

9. Hillco, Ltd. and Spruce LTC Group, LLC shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Agency in writing prior to issuance of the certificate of need.

- (5) Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial feasibility of the proposal, based upon reasonable projections of the costs of and charges for providing health services by the person proposing the service.

C

Wilson Pines proposes to add 13 nursing care beds by relocating five existing nursing care beds from Richmond Pines Nursing & Rehabilitation Center (Richmond County), five existing nursing care beds from Westwood Hills Nursing and Rehabilitation Center (Wilkes County), and three existing nursing care beds from Enfield Oaks Nursing and Rehabilitation Center (Halifax County) for a total of 108 nursing care beds and 17 adult care home beds.

Capital and Working Capital Costs

In Section Q, Form F.1a, page 86, the applicants project the total capital cost of the project as shown in the table below.

Site Preparation Costs	\$0
Construction Costs	\$325,000
Miscellaneous Costs	\$0
Total	\$325,000

In Exhibit F.1, page 268, the applicants provide the assumptions used to project the capital cost. In Section F.3, pages 44-45, the applicants state there will be no start-up or initial operating expenses associated with the project because Wilson Pines is an existing and operational facility.

Availability of Funds

In Section F.2, page 43, the applicants state that the capital cost will be funded as shown in the table below.

Sources of Capital Cost Financing

Type	Wilson Pines	Total
Loans	\$0	\$0
Accumulated reserves or OE *	\$325,000	\$325,000
Bonds	\$0	\$0
Other (Specify)	\$0	\$0
Total Financing	\$325,000	\$325,000

* OE = Owner's Equity

In Section F.2, page 44, the applicants state that the capital costs will be financed by the accumulated reserves of the owner. In Exhibit F.2, the applicants provide a letter dated October 15, 2018 from the Chief Financial Officer for Hillco, Ltd. expressing its intention to fund the capital costs for the proposed project. The applicants adequately demonstrate that sufficient funds will be available for the capital needs of the proposed project.

Financial Feasibility

The applicants provided pro forma financial statements for the first three full fiscal years of operation following completion of the project. In the pro forma financial statement (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.

	1ST FULL FISCAL YEAR (FFY2020)	2ND FULL FISCAL YEAR (FFY2021)	3RD FULL FISCAL YEAR (FFY2022)
Total Patient Days	40,851	41,373	41,373
Total Gross Revenues (Charges)	\$10,643,547	\$10,784,418	\$10,784,418
Total Net Revenue	\$10,483,786	\$10,622,652	\$10,622,652
Average Net Revenue per patient day	\$256.63	\$256.75	\$256.75
Total Operating Expenses (Costs)	\$9,948,341	\$10,061,078	\$10,061,078
Average Operating Expense per patient day	\$243.53	\$243.18	\$243.18
Net Income	\$535,553	\$561,573	\$561,573

The assumptions used by the applicants in preparation of the pro forma financial statements, including projected utilization, costs and charges are reasonable. 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 costs are based on reasonable and adequately supported assumptions.
- The applicants adequately demonstrate sufficient funds for the operating needs of the proposed project.
- The applicants adequately demonstrate 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

Wilson Pines proposes to add 13 nursing care beds by relocating five existing nursing care beds from Richmond Pines Nursing & Rehabilitation Center (Richmond County), five existing nursing care beds from Westwood Hills Nursing and Rehabilitation Center (Wilkes County), and three existing nursing care beds from Enfield Oaks Nursing and Rehabilitation Center (Halifax County) for a total of 108 nursing care beds and 17 adult care home beds.

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

Based on data reported in Table 10A: Inventory of Nursing Home and Hospital Nursing Care Beds in the 2018 SMFP, page 199, Wilson County currently has four nursing facilities with a total of 394 licensed nursing care beds.

Wilson County Nursing Facilities

Nursing Facility	Licensed Nursing Care Beds
Avante at Wilson	110
Brian Center Health and Rehabilitation/Wilson	99
Wilson Pines Nursing and Rehabilitation Center	95
Wilson Rehabilitation and Nursing Center	90
Total	394

Source: 2018 State Medical Facilities Plan, Table 10A, page 199.

Also, based on data reported in Table 10C: Nursing Care Bed Need Projections for 2021 in the 2018 SMFP, page 207, Wilson County is projected to have a nursing care bed deficit of 16 beds in 2021.

In Section G.3, page 49, the applicants explain why they believe their proposal would not result in the unnecessary duplication of existing or approved nursing care services in Wilson County.

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:

- Wilson County is projected to have a deficit of nursing care beds, therefore the proposal would not result in an increase in a surplus of nursing care beds in the county.
- The applicants adequately demonstrate that the proposed nursing care beds are needed in addition to the existing or approved nursing care beds in Wilson County.

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, page 103, the applicants provide projected full-time equivalent (FTE) staffing for the proposed services in the first three operating years. 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 Sections H.2 and H.3, pages 50-53, the applicants describe the methods to be used to recruit or fill new positions and their training and continuing education programs. In Section H.4, the applicants identify the medical director. In Exhibit H.4, the applicants provide a letter from the medical director indicating an interest in continuing to serve as medical director for the proposed services.

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 Section I.1, page 55, the applicants describe the ancillary and support services necessary for the proposed services and how they currently provide them at the existing nursing facility. On page 56, the applicants adequately explain how each ancillary and support service will be made available and provide supporting documentation in Exhibit I.1.

In Section I.2, page 56, the applicants describe their existing relationships with other local health care and social service providers and provides supporting documentation in Exhibit I.2.

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

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

NA

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

- (10) When applicable, the applicant shall show that the special needs of health maintenance organizations will be fulfilled by the project. Specifically, the applicant shall show that the project accommodates: (a) The needs of enrolled members and reasonably anticipated new members of the HMO for the health service to be provided by the organization; and (b) The availability of new health services from non-HMO providers or other HMOs in a reasonable and cost-effective manner which is consistent with the basic method of operation of the HMO. In assessing the availability of these health services from these providers, the applicant shall consider only whether the services from these providers:
- (i) would be available under a contract of at least 5 years duration;
 - (ii) would be available and conveniently accessible through physicians and other health professionals associated with the HMO;
 - (iii) would cost no more than if the services were provided by the HMO; and
 - (iv) would be available in a manner which is administratively feasible to the HMO.

NA

The applicants are not 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.

NA

The applicants do not propose any new construction. In Section K, the applicants state that “*limited cost and no construction*” will be required to convert 13 private ACH rooms to 13 private nursing care rooms. Therefore, this Criterion is not applicable.

- (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 63, the applicants provide the historical payor mix during FY2018 (9/1/2017-8/31/2018) for the proposed services, as shown in the table below.

Payor Category	Nursing Care Patient Days as Percent of Total
Private Pay	3%
Medicare	23%
Medicaid	71%
Other (Managed Care)	4%
Total	100%

Source: Table on page 63.

In Section L, page 62, the applicants provide the following comparison.

	Percentage of Total Patients Served by the Facility or Campus during the Last Full FY2018	Percentage of the Population of the Service Area
Female	75%	52%
Male	25%	48%
Unknown	0%	NA
64 and Younger	12%	82%
65 and Older	88%	18%
American Indian	NA	1%
Asian	NA	1%
Black or African-American	37%	40%
Native Hawaiian or Pacific Islander	NA	NA
White or Caucasian	63%	56%
Other Race	NA	2%
Declined / Unavailable	NA	NA

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

Regarding any obligation to provide uncompensated care, community service or access by minorities and persons with disabilities, in Section L, page 64, the applicants state they have no such obligations.

In Section L, page 64, the applicant states that during the last five years no patient civil rights access complaints have been filed against the facility or any similar facilities owned by the applicant or a related entity and located in North Carolina.

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 65, the applicants project the following payor mix during the third full fiscal year (FY2022) of operation following completion of the project, as illustrated in the following table.

Payor Source	Nursing Care Patient Days as a Percent of Total Patient Days
Private Pay	3%
Insurance	4%
Medicare	23%
Medicaid	71%
Total	100%

As shown in the table above, during the third full fiscal year of operation (FY2022), the applicants project that 23% of total services will be provided to Medicare patients and 71% to Medicaid patients. On page 65, the applicants provide the assumptions 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 because the applicants base their projected payor mix on their historical payor mix.

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 66, the applicants describe the range of means by which patients will have access to the proposed services.

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

In Section M.1, page 67, the applicants describe the extent to which health professional training programs in the area have access to the facility for training purposes and provide supporting documentation in Exhibit M.2.

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the applicants adequately demonstrate that the proposed services will accommodate the clinical needs of area health professional training programs, and therefore, the application is conforming to this criterion.

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

C

Wilson Pines proposes to add 13 nursing care beds by relocating five existing nursing care beds from Richmond Pines Nursing & Rehabilitation Center (Richmond County), five existing nursing care beds from Westwood Hills Nursing and Rehabilitation Center (Wilkes County), and three existing nursing care beds from Enfield Oaks Nursing and Rehabilitation Center (Halifax County) for a total of 108 nursing care beds and 17 adult care home beds.

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

Based on data reported in Table 10A: Inventory of Nursing Home and Hospital Nursing Care Beds in the 2018 SMFP, page 199, Wilson County currently has four nursing facilities with a total of 394 licensed nursing care beds.

Wilson County Nursing Facilities

Nursing Facility	Licensed Nursing Care Beds
Avante at Wilson	110
Brian Center Health and Rehabilitation/Wilson	99
Wilson Pines Nursing and Rehabilitation Center	95
Wilson Rehabilitation and Nursing Center	90
Total	394

Source: 2018 State Medical Facilities Plan, Table 10A, page 199.

Also, based on data reported in Table 10C: Nursing Care Bed Need Projections for 2021 in the 2018 SMFP, page 207, Wilson County is projected to have a nursing care bed deficit of 16 beds in 2021.

In Section N, pages 69-71, the applicants describe the expected effects of the proposed services on competition in the service area and discuss how any enhanced competition in the service area will promote the cost-effectiveness, quality and access to the proposed services. On page 69, the applicants state:

“The project will have limited impact on competitors based on the fact that beds are being converted in lieu of new construction; however, since the conversion will result in availability of additional private rooms, which are more attractive to the recovering patient, the conversion will encourage the spirit of competition which will serve to enhance overall quality of care to all residents in the proposed service area. As a result, existing providers must, in order to compete, adjust their practices to this enhanced service offering and our ongoing commitment to care delivery.”

The applicants adequately describe 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 of the application and any exhibits)
- Quality services will be provided (see Section O of the application and any exhibits)
- Access will be provided to underserved groups (see Section L of the application and any exhibits)

Conclusion

The Agency reviewed the:

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

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.10, page 12, the applicants identify the nursing facilities located in North Carolina owned, operated, or managed by the applicants or a related entity. The applicants identify a total of 45 nursing facilities located in North Carolina.

In Exhibit O.3.(a).(ii), the applicants provide a table showing their facilities and a summary of deficiencies at each facility during the 18 months immediately preceding the submittal of the application. In Section O.3, page 77, the applicants state that the vast majority of the facilities are in compliance with the Medicare Conditions of Participation. The applicants state that several facilities have submitted Plans of Correction in response to deficiencies, and that they anticipate that all of their facilities will be back in compliance prior to the issuance of this decision. Based on information provided by the Nursing Home Licensure and Certification Section, Wilson Pines Nursing and Rehabilitation has not been found to have provided substandard quality during the 18 months immediately preceding the submittal of the application.

After reviewing and considering information provided by the applicants and by the Nursing Home Licensure and Certification Section and considering the quality of care provided at all existing facilities, the applicants 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.

C

The Criteria and Standards for Nursing Facility or Adult Care Home Facility Services promulgated in 10A NCAC 14C .1100 are applicable because the applicants propose to add nursing care beds to an existing nursing facility.

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.

-C- In Section C, page 33, the applicants report that the average occupancy rate of nursing care beds at Wilson Pines was 91 percent over the nine months immediately preceding the submittal of the application.

(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.

-C- In Section Q, page 80, the applicants provided projected utilization for the 108 nursing care beds during the first three full federal fiscal years (FFY2020-FFY2022) of operation, as shown in the following table:

**Wilson Pines Nursing and Rehabilitation Center
 Form C Utilization**

	1st Full FFY 10/1/19-9/30/20	2nd Full FFY 10/1/20-9/30/21	3rd Full FFY 10/1/21-9/30/22
Nursing Care Beds			
# of Beds	108	108	108
Patient Days	34,956	35,478	35,478
Occupancy Rate	88.7%	90.0%	90.0%

As shown in the table above, the applicants project the occupancy rate for the total nursing care beds at the proposed facility will be 90 percent in the second full year of operation of the project

In Sections C and Q, the applicants describe the assumptions and methodology used to project utilization of the 108 nursing care beds. See the discussion in Criterion (3) which is incorporated herein by reference.

(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.

-NA- The applicants are not proposing to add adult care home beds to an existing facility.

(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.

-NA- The applicants are not proposing to establish a new adult care home facility or add adult care home beds to an existing facility.