

REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: April 14, 2020

Findings Date: April 14, 2020

Project Analyst: Celia C. Inman

Team Leader: Fatimah Wilson

Project ID #: G-11854-20

Facility: Liberty Commons Nursing and Rehabilitation Center of Alamance County

FID #: 960494

County: Alamance

Applicants: Liberty Commons Nursing and Rehabilitation Center of Alamance County, LLC

Project: Liberty Healthcare Properties of Alamance County, LLC

Relocate no more than 32 NF beds pursuant to Policy NH-6 from Edgewood Place at the Village of Brookwood for a total of no more than 122 NF beds and 48 ACH 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

Liberty Commons Nursing and Rehabilitation Center of Alamance County, LLC and Liberty Healthcare Properties of Alamance County, LLC, collectively referred to as "Liberty" or "the applicant", proposes to acquire and relocate 32 nursing facility (NF) beds pursuant to Policy NH-6 from Edgewood Place at the Village at Brookwood (Edgewood Place) to Liberty Commons Nursing and Rehabilitation Center of Alamance County (Liberty Commons) for a total of 122 NF beds and 48 adult care home (ACH) beds upon project completion.

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 2020 State Medical Facilities Plan (SMFP). Therefore, there are no need determinations in the 2020 SMFP which are applicable to this review.

Policies

There are two policies in the 2020 SMFP which are applicable to this review: *Policy NH-6: Relocation of Nursing Facility Beds* and *Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities*.

Policy NH-6: Relocation of Nursing Facility Beds, on page 22 of the 2020 SMFP, states:

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

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

Edgewood Place and Liberty Commons are both located in Alamance County. According to the 2020 SMFP, Alamance County has a deficit of five NF beds. The proposed project does not change the NF bed inventory in Alamance County because the applicant proposes the relocation of existing licensed NF beds within the county. Therefore, the application is consistent with Policy NH-6.

Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities, on page 31 of the 2020 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 are 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 \$2 million and less than \$5 million; therefore, Policy GEN-4 is applicable to this review. In Section B.11, page 15, the applicant provides a written commitment assuring improved energy efficiency and water conservation in its construction project. The applicant states that Liberty will implement policies and guidelines for staff to follow, further ensuring continuous energy/water use monitoring and awareness.

Conclusion

The Agency reviewed the:

- application,
- exhibits to the application, and
- information which was publicly available during the review and used by the Agency.

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

- There are no need determinations applicable to the review.
- The NF beds are existing beds located in Alamance County.
- The applicant does not propose any change to the existing bed inventory in Alamance County.
- The applicant provides a written statement regarding its plans for energy efficiency and water conservation.

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

minorities, women, handicapped persons, the elderly, and other underserved groups are likely to have access to the services proposed.

C

The applicant proposes to acquire and relocate 32 NF beds from Edgewood Place to Liberty Commons. Upon project completion, Liberty Commons will be licensed for a total of 122 NF beds and 48 ACH beds. Edgewood Place will be licensed for a total of 51 NF beds and 24 ACH beds following completion of this project and Project ID #G-11858-20 (relocate 22 NF beds from Edgewood Place).

Patient Origin

On page 175, the 2020 SMFP defines the service area for NF beds as “*the county in which the bed is located.*” Both Edgewood Place and Liberty Commons are located in Alamance County, thus, the service area for this project is Alamance County. Facilities may also serve residents of counties not included in their service area.

In Section C.1, page 16, the applicant states that it will relocate the 32 NF beds from Edgewood Place as soon as possible into Liberty Commons’ existing ACH wing. The existing Liberty Commons 48 ACH beds will be moved and developed in a newly constructed wing at the facility. Therefore, the applicant projects patient origin for 32 NF beds and 48 ACH beds separately and for different time periods.

In Section C.2, pages 16-17, the applicant provides the historical patient origin for NF and ACH beds for the last full fiscal year (FY), FY2019, as summarized in the following tables.

**Liberty Commons
 Historical Nursing Facility Patient Origin
 FY2019**

County	Number NF Patients Admitted	Percent of Total NF Patients Admitted
Alamance	262	79.64%
Guilford	42	12.77%
Randolph	11	3.34%
Rockingham	3	0.91%
Union	3	0.91%
Other	8	2.43%
Total	329	100.00%

Totals/percentages may not sum/calculate due to rounding

Note: The above patient origin table reflects the total number of all NF patients admitted during FY2019, as opposed to the total number of patients at the facility at any one point in time. This does not represent utilization of the 90 NF beds for FY2019.

**Liberty Commons
 Historical Adult Care Home Patient Origin
 FY2019**

County	Number ACH Patients Admitted	Percent of Total ACH Patients Admitted
Alamance	15	88.24%
Guilford	1	5.88%
Rockingham	1	5.88%
Total	17	100.00%

Totals/percentages may not sum/calculate due to rounding

Note: The above patient origin table reflects the total number of all ACH patients admitted during FY2019, as opposed to the total number of patients at the facility at any one point in time. This does not represent utilization of the 48 ACH beds for FY2019.

In Section C.3, page 17, the applicant states that it will relocate the 32 NF beds to Liberty Commons by converting the current ACH wing for the 32 NF beds as soon as possible and offering services in October 2020. The applicant states that it will construct a new ACH wing for the 48 existing ACH beds and offer those services October 2023. Therefore, the third year after the relocation of the 32 NF beds will be FY2023 and the third year following the completion of the project, including constructing the 48-bed ACH wing, will be FY2026. Thus, this project will not be complete until ACH services are offered in the newly constructed ACH wing in October 2023. The applicant provides the projected patient origin at Liberty Commons in the third full fiscal year following development of the relocated NF beds and the ACH beds in the third year following project completion, as summarized in the following tables.

**Liberty Commons
 Projected Nursing Facility Patient Origin
 Third Full Fiscal Year
 FY2023**

County	General NF Number of Patients	General NF Percent of Patients
Alamance	89	79.64%
Guilford	14	12.77%
Randolph	4	3.34%
Rockingham	1	0.91%
Union	1	0.91%
Other	3	2.43%
Total	111	100.00%

Totals/percentages may not sum/calculate due to rounding

**Liberty Commons
Projected Adult Care Home Patient Origin
FY2026**

County	General ACH Number of Patients	General ACH Percent of Patients
Alamance	39	88.24%
Guilford	3	5.88%
Rockingham	3	5.88%
Total	44	100.00%

Totals/percentages may not sum/calculate due to rounding

In Section C, page 17, the applicant provides the assumptions and methodology used to project its patient origin, stating that the applicant:

- utilizes the FY2019 patient origin percentages for all NF patients and ACH residents admitted to project future patient origin, and
- utilizes the total projected days of care from Form C and divides by 365 to get total projected residents.

The applicant's assumptions are reasonable and adequately supported.

Analysis of Need

In Section C, pages 18-21, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services. On page 18, the applicant states that the following factors support the need for the relocation of the 32 NF beds:

- Growing senior population in Alamance County and the Boone Station Township (pages 18-20),
- Need to relocate Alamance County NF beds that will be closed if not relocated (page 20),
- High NF utilization at the existing facility indicates that additional NF beds would allow Liberty Commons to operate more efficiently and better serve current and future residents (page 20), and
- Cost efficiency of relocating the NF beds to the existing ACH space (pages 20-21).

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

- The *Spotlight Pop-Facts by Environics / Claritas* (Exhibit C.4) shows the population aged 65 and older in Alamance County is projected to increase 61.21% between 2010 and 2050 [2025], with the 65 and older age group representing the most significant demographic in need of nursing beds. The 75 and older age group is projected to increase over 30% by the year 2025. The 65 and older population of Boone Station Township, where Liberty Commons is located, is projected to increase at 16.81% from 2020 to 2025.

- The current owner of Edgewood Place intends to downsize its NF beds and no longer wants to operate a portion of its existing 105 NF beds. Liberty Commons is located less than three miles from Edgewood Place, which would allow the applicant to offer the individuals currently residing at Edgewood Place the opportunity to move to Liberty Commons and still be served in the same relative area.
- Liberty Commons operated its existing 90 NF beds at an average 85% occupancy in 2018 and an average 88% occupancy in 2019. Note that the table on page 20 erroneously shows 118 NF beds; however, the calculations provided in the table are based on the correct inventory of 90 NF beds. The applicant states that the additional beds will allow more efficient operating and better serve current and future residents.
- The space currently housing existing ACH beds, where the 32 NF beds will be located is built to current NF regulations for private and semi-private rooms and staffed to nursing care levels. A stand-alone 32-bed NF would have limited efficiency, would increase costs to operate the facility, and as a result would increase costs for residents. The applicant states that the new 48-bed ACH wing proposed to house the existing ACH beds is projected to cost less than a stand-alone 32-bed NF building.

Projected Utilization

In Section Q Form C, page 66, the applicant provides Liberty Commons’ historical, interim and projected utilization (FY2019-FY2026), as shown in the table below.

	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026
# General NF Beds	90	90	122	122	122	122	122	122
Days of Care	28,269	29,827	34,830	40,626	40,626	41,724	41,724	41,724
Occupancy Rate	86.05%	90.80%	78.22%	91.23%	91.23%	93.70%	93.70%	93.70%
Total # NF Beds	90	90	122	122	122	122	122	122
Days of Care	28,269	29,827	34,830	40,626	40,626	41,724	41,724	41,724
Occupancy Rate	86.05%	90.80%	78.22%	91.23%	91.23%	93.70%	93.70%	93.70%
# General ACH Beds	48	48	0	0	0	48	48	48
Days of Care	3,654	4,392	0	0	0	8,232	15,859	16,104
Occupancy Rate	20.86%	25.07%	0	0	0	46.99%	90.52%	91.92%
Total # ACH Beds	48	48	0	0	0	48	48	48
Days of Care	3,654	4,392	0	0	0	8,232	15,859	16,104
Occupancy Rate	20.86%	25.07%	0	0	0	46.99%	90.52%	91.92%

In Section Q, page 65, the applicant provides the assumptions and methodology used to project utilization, which are summarized below.

- Fiscal years run from October 1 through September 30.
- NF services will be offered beginning October 1, 2020.
- ACH services will be offered beginning October 1, 2023.

- The full complement of beds, 122 NF and 48 ACH beds will be in operation October 1, 2023, with the third full year following completion of the project being FY2026.
- Projected utilization is based on the applicant’s experience with occupancy at Liberty Commons combined with Liberty’s experience in relocation of beds through its affiliation with 33 NF and /or combination facilities through the State.

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

- Projected utilization is based on the applicant’s experience with occupancy at Liberty Commons and experience in relocation projects at other Liberty facilities.
- The applicant’s utilization projections are supported by the historical and projected growth, particularly for older patient populations.
- The project seeks to relocate NF beds which are included in the Alamance NF inventory but will no longer be available to Alamance County residents if not relocated.

Access

In Section C.8, page 22, the applicant states:

“Services provided by Liberty Commons are non-restrictive with respect to social, racial, ethnic, or gender related issues and are provided on a first come, first served basis. . . . Liberty Commons admit [sic] residents based on the ability of the facility to satisfy the resident’s needs and based on bed availability.”

In Section L, page 50, the applicant projects the payor mix for the third full fiscal year following development of the NF beds and the ACH beds, separately, as summarized below.

**NF Beds Payor Mix
FY2023**

PAYOR CATEGORY	NF PATIENT DAYS AS PERCENT OF TOTAL
Private Pay	13.51%
Medicare	16.22%
Medicaid	70.27%
Total	100.00%

**ACH Beds Payor Mix
FY2026**

PAYOR CATEGORY	ACH PATIENT DAYS AS PERCENT OF TOTAL
Private Pay	59.09%
County Assistance	40.91%
Total	100.00%

The projected payor mix is reasonable and adequately supported based on the following:

- Projected payor mix is based on the applicant's experience at the existing facility. The applicant utilized FY2019 payor sources as a percentage of all admitted patients/residents to project future payor sources.
- Projected payor mix is also influenced by Liberty's experience with occupancy and relocation of beds through its affiliation of 33 NFs throughout the State
- The applicant also considered the future demographic demand to project future payor mix for the facility.

Conclusion

The Agency reviewed the:

- application,
- exhibits to the application, and
- information which was publicly available during the review and used by the Agency.

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

- The applicant adequately 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 support their assumptions.

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

C

The applicant proposes to relocate 32 licensed ACH beds from Edgewood Place to Liberty Commons. The two facilities are located in Alamance County and only 3.2 miles from each other. Upon project completion, Liberty Commons will be licensed for 122 NF beds and 48 ACH beds.

Edgewood Place is currently licensed for 105 NF beds and 24 ACH beds. Of the 105 licensed NF beds, 24 are excluded from inventory as Policy NH-2 beds. Edgewood Place will be licensed for 51 NF beds (24 of which are Policy NH-2 beds) and 24 ACH beds following completion of this project and Project ID #G-11858-20 (relocate 22 NF beds from Edgewood Place).

The applicant states that the current owner no longer wants to offer service in the 32 NF beds on its campus and Liberty Commons wants to acquire the beds, place them in existing space, and offer services to those patients currently residing in the 32 beds at Edgewood Place.

The 48-bed ACH wing will be temporarily unavailable during the construction of the new wing. On page 27, the applicant states:

“For any existing AL residents, the Applicants would evaluate the resident to make sure they are appropriate and would be allowed to stay. If the resident wanted to move to an AL setting, the Applicant would assist them in finding the setting that would best suit their needs.”

Thus, the proposed project to relocate the beds will not reduce or eliminate existing services and the needs of the population presently served will be met adequately by the proposed relocation.

Conclusion

The Agency reviewed the:

- application, and
- exhibits to the application.

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

- (4) Where alternative methods of meeting the needs for the proposed project exist, the applicant shall demonstrate that the least costly or most effective alternative has been proposed.

CA

The applicant proposes to relocate 32 NF beds from Edgewood Place to Liberty Commons for a total of 122 NF beds and 48 ACH beds upon project completion. The proposed project also includes the construction of a new wing for the 48 existing ACH beds.

In Section E, page 29, the applicant discusses the alternatives considered and explains why each alternative is either more costly or less effective than the alternative proposed in this application. The alternatives considered were:

- Maintain the Status Quo – The applicant states that while the 32 NF beds are existing licensed beds, the current facility no longer wants to operate the beds on its campus; therefore, the beds would no longer be available to the residents of Alamance County. Thus, this alternative was dismissed as not the most effective alternative for Alamance County nursing home residents.
- Develop the NF beds in another location – the applicant states that this alternative would require significantly more capital because additional new space would have to be constructed and a 32-bed NF building would limit efficiency in operations and drive up operational costs; thus making this alternative a more costly and less effective alternative.

On page 29, the applicant states:

“After considering the available alternatives, the applicants decided the addition of 32 NF beds converting the current ACH wing to a SNF wing and construct [sic] an ACH wing for the current 48 ACH beds best serves the needs of its current and future Alamance County residents, because the existing NF beds at Liberty Commons are nearly full and the population age 65 and over is continuing to grow. Therefore, the population projected to utilize those relocated NF beds will continue to need additional NF services.”

The applicant adequately demonstrates that the alternative proposed in this application is the most effective alternative to meet the identified need for the following reasons:

- The application is conforming to all statutory and regulatory review criteria.
- The applicant provides credible information to explain why it believes the proposed project is the most effective alternative.

Conclusion

The Agency reviewed the:

- application, and
- 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. Liberty Commons Nursing and Rehabilitation Center of Alamance County, LLC and Liberty Healthcare Properties of Alamance County, LLC shall materially comply with all representations made in this application.**
- 2. Liberty Commons Nursing and Rehabilitation Center of Alamance County, LLC and Liberty Healthcare Properties of Alamance County, LLC shall acquire and relocate no more than 32 nursing facility beds from Edgewood Place at the Village at Brookwood for a total of no more than 122 nursing facility beds and 48 adult care home beds at Liberty Commons Nursing and Rehabilitation Center of Alamance County upon project completion.**
- 3. Upon issuance of the CON, Alamance Extended Care, Inc. shall take appropriate steps to de-license 32 nursing facility beds from Edgewood Place at the Village at Brookwood for a total of 51 NF beds and 24 ACH beds upon the completion of this project and Project ID #G-11858-20 (Relocate 22 NF beds from Edgewood Place).**
- 4. For the first two years of operation following completion of the project, Liberty Commons Nursing and Rehabilitation Center of Alamance County, LLC and Liberty Healthcare Properties of Alamance County, 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.**
- 5. No later than three months after the last day of each of the first three full fiscal years of operation following initiation of the services authorized by this certificate of need, Liberty Commons Nursing and Rehabilitation Center of Alamance County, LLC and Liberty Healthcare Properties of Alamance County, 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.**

6. Liberty Commons Nursing and Rehabilitation Center of Alamance County, LLC and Liberty Healthcare Properties of Alamance County, LLC shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Agency in writing prior to issuance of the certificate of need.

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

C

The applicant proposes to relocate 32 NF beds from Edgewood Place to Liberty Commons for a total of 122 NF beds and 48 ACH beds upon project completion. In Section C.3, page 17, the applicant states that it will relocate the 32 NF beds to Liberty Commons by converting the current ACH wing to house the 32 NF beds as soon as possible and offering services in October 2020. The applicant further states that it will construct a new ACH wing for the 48 displaced ACH beds and offer those services October 2023. Thus, the capital cost for this project includes the cost of constructing a new ACH wing and FY2026 is the third full fiscal year following project completion.

Capital and Working Capital Costs

In Section Q F.1a Capital Cost, page 68, the applicant projects the total capital cost of the proposed project, as shown in the table below.

	Liberty Commons Nursing and Rehabilitation Center of Alamance County, LLC	Liberty Healthcare Properties of Alamance County, LLC	Total Capital Cost
Site Prep	\$0	\$400,000	\$400,000
Construction Contract	\$0	\$3,614,240	\$3,614,240
Architect/Engineering Fees	\$0	\$150,000	\$150,000
Furniture	\$0	\$480,000	\$480,000
Consultant Fees	\$0	\$25,000	\$25,000
Total	\$0	\$4,669,240	\$4,669,240

Totals may not sum due to rounding

In Section F, pages 32-33, the applicant projects there will be no start-up costs or initial operating expenses because Liberty Commons is an existing facility.

Availability of Funds

In Section F.2, page 31, the applicant states that the capital cost will be funded as shown in the table below.

Sources of Capital Cost Financing

Type	Liberty Commons Nursing and Rehabilitation Center of Alamance County, LLC	Liberty Healthcare Properties of Alamance County, LLC	Total
Loans	\$0	\$0	\$0
Accumulated reserves or OE *	\$0	\$4,669,240	\$4,669,240
Bonds	\$0	\$0	\$0
Other (Specify)	\$0	\$0	\$0
Total Financing	\$0	\$4,669,240	\$4,669,240

* OE = Owner's Equity

Exhibit F.2 contains a letter dated February 5, 2020 from the owners of the LLCs which own and operate Liberty Commons, John A. McNeill Jr. and Ronald B. McNeill, committing to personally fund the project. Exhibit F.2 also contains a January 29, 2020 letter from the McNeills' CPA attesting to their personal financial status in excess of \$15,000,000 in cash, stocks or short-term investments and the availability of funds for the proposed project. The applicant adequately demonstrates that sufficient funds will be available for the capital needs of the proposed project.

Financial Feasibility

In Section Q, pages 74-93, the applicant provides pro forma financial statements for the first three full fiscal years of operation for the relocated 32 NF beds (FY2021-FY2023) and the first three years following completion of the total project (FY2024-FY2026). The applicant projects that revenues will exceed operating expenses in each full fiscal year following the completion of the project, as shown in the table below, which summarizes the applicant's pro forma financial statements: Form F.3 Revenues, pages 74-79, Form F.4 Operating Costs, pages 84-89, and Form F.5 Income Statement, pages 91-93.

	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026
NF Beds						
Projected # of Patient Days	34,830	40,626	40,626	41,724	41,724	41,724
Gross Revenue	\$8,569,439	\$10,071,208	\$10,113,481	\$10,470,833	\$10,470,833	\$10,562,516
Deductions from Gross Revenue	\$85,694	\$100,712	\$101,135	\$104,708	\$104,708	\$105,625
Net Patient Revenue	\$8,483,745	\$9,970,496	\$10,012,346	\$10,366,125	\$10,366,125	\$10,456,891
Projected Average Net Revenue Per Patient Day	\$244	\$245	\$246	\$248	\$248	\$251
Total Operating Expenses	\$8,586,894	\$9,097,460	\$9,172,931	\$9,075,195	\$9,058,376	\$9,133,808
Avg Operating Expense / Pt Day	\$247	\$224	\$226	\$219	\$217	\$219
NF Net Income	-\$103,149	\$873,036	\$839,415	\$1,290,930	\$1,307,749	\$1,323,083
ACH Beds						
Projected # of Patient Days				8,232	15,859	16,104
Gross Revenue	\$0	\$0	\$0	\$788,255	\$1,536,852	\$1,627,949
Deductions from Gross Revenue	\$0	\$0	\$0	\$7,883	\$15,369	\$16,279
Net Patient Revenue	\$0	\$0	\$0	\$780,372	\$1,521,483	\$1,611,670
Projected Average Net Revenue Per Patient Day	\$0	\$0	\$0	\$95	\$96	\$100
Total Operating Expenses	\$0	\$0	\$0	\$1,286,313	\$1,501,029	\$1,521,261
Avg Operating Expense / Pt Day	\$0	\$0	\$0	\$156	\$95	\$94
ACH Net Income	\$0	\$0	\$0	-\$505,941	\$20,454	\$90,409
Total Net Income (NF and ACH)	-\$103,149	\$873,036	\$839,415	\$784,989	\$1,328,203	\$1,413,491

In Section Q, the applicant provides:

- the charge assumptions and projected charges (pages 69-70),
- the revenue assumptions and projected revenues (pages 71-79),
- the operating cost assumptions and projected operating costs (pages 80-89), and
- the income statement assumptions and the projected net income (pages 90-93).

The assumptions used by the applicant in preparation of the pro forma financial statements are reasonable, including projected utilization, costs, and charges. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

Conclusion

The Agency reviewed the:

- application, and
- 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 costs are based on reasonable and adequately supported assumptions.
 - The applicant adequately demonstrates availability of sufficient funds for the 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

The applicant proposes to relocate 32 NF beds from Edgewood Place to Liberty Commons for a total of 122 NF beds and 48 ACH beds upon project completion. The proposed project includes the construction of a new wing for the existing 48 ACH beds.

On page 175, the 2020 SMFP defines the service area for NF beds as “*the county in which the bed is located.*” Both Edgewood Place and Liberty Commons are located in Alamance County, thus, the service area for this project is Alamance County. Facilities may also serve residents of counties not included in their service area.

Based on data reported in Table 10A and Table 10C, in the 2020 SMFP, pages 178 and 200, respectively, Alamance County currently has eight nursing facilities with a total of 888 licensed nursing care beds, with 72 excluded from the planning inventory, and a county-wide occupancy rate of 85.4%, as summarized below.

Alamance County Nursing Facilities, 2020 SMFP

FACILITY	TOTAL LICENSED NF BEDS	TOTAL PLANNING INVENTORY*	COUNTY OCCUPANCY RATE
Alamance Health Care Center	180	180	
Edgewood Place at the Village at Brookwood	105	81	
Liberty Commons Nursing and Rehab Center Alamance County	90	90	
Peak or Graham (Transfer of 120 beds from Peak Resources -Alamance)	120	120	
The Presbyterian Home of Hawfields Inc	117	113	
Twin Lakes Community	100	64	
Twin Lakes Community Memory Care	16	8	
White Oak Manor-Burlington	160	160	
Total Nursing Care Beds	888	816	85.4%

*Beds excluded for planning inventory purposes: nursing beds for head injury or ventilator-dependent patients; beds held for the exclusive use of the related continuing care retirement community (CCRC) residents pursuant to Policy NH-2; and nursing beds transferred from state psychiatric hospitals to the community pursuant to Policy NH-5.

In Section G, pages 36-37, the applicant provides a summary of the same information provided above and in Tables 10A and 10C of the 2020 SMFP, showing the Alamance County planning inventory of NF beds and the Alamance County 2018 occupancy rate.

In Section G, page 37, the applicant explains why it believes the proposal would not result in the unnecessary duplication of existing or approved NF bed services in Alamance County. The applicant states that the 2020 SMFP shows a deficit of five NF beds in Alamance County. The applicant further states that the proposed project does not seek to increase the number of NF beds in Alamance County. Rather, the applicant proposes to relocate existing NF beds which are already part of the Alamance County NF bed inventory. The applicant proposes to house the relocated NF beds in existing ACH bed space and construct a new wing for the existing displaced ACH beds.

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

- The proposal does not increase the inventory of NF beds or ACH beds in Alamance County.
- The NF beds exist in the Alamance County NF inventory, but the current owners no longer want to operate the beds on the Edgewood Place campus.
- The applicant adequately demonstrates the need for the 32 NF beds to be relocated within Alamance County.
- The applicant adequately demonstrates the need to construct a new wing for its existing displaced ACH beds.

Conclusion

The Agency reviewed the:

- application,
- exhibits to the application, and
- information which was publicly available during the review and used by the Agency.

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

- (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

The applicant proposes to relocate 32 NF beds from Edgewood Place to Liberty Commons for a total of 122 NF beds and 48 ACH beds upon project completion.

In Section C.3, page 17, the applicant states that it will relocate the 32 NF beds to Liberty Commons by converting the current ACH wing for the 32 NF beds as soon as possible and offering services in October 2020. The applicant states that it will construct a new ACH wing for the 48 existing ACH beds and offer those services October 2023. Therefore, the third year after the relocation of the 32 NF beds will be FY2023 and the third year following the completion of the project, including constructing the 48-bed ACH wing, will be FY2026. Thus, this project will not be complete until ACH services are offered in the newly constructed ACH wing in October 2023.

In Section Q Form H, page 95, the applicant provides the current and projected staffing for the proposed services in full-time equivalent (FTE) positions, as summarized in the following table.

Liberty Commons Current and Projected FTE Positions

FTE Position	As of 10/1/2019	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026
RNs	3.0	4.8	4.8	4.8	4.8	4.8	4.8
LPNs	10.0	15.4	15.4	15.4	17.4	17.4	17.4
Aides	30.2	45.9	45.9	45.9	57.6	57.6	57.6
DON	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Assistant DON	1.0	1.0	1.0	1.0	1.0	1.0	1.0
MDS Nurse	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Clerical (Nurse Secretary)	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Medical Records	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Physical Therapy	2.8	2.8	2.8	2.8	2.8	2.8	2.8
Speech Therapy	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Occupational Therapy	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Dietary	8.9	8.9	8.9	8.9	8.9	8.9	8.9
Social Services	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Activities	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Transportation	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Laundry and Linen	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Housekeeping	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Plant Operation & Maint.	0.5	1.0	1.0	1.0	1.0	1.0	1.0
Administration	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Other (Med Tech)	4.2	0	0	0	9.2	9.2	9.2
Other (Business Office)	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Other (Marketing)	1.0	1.0	1.0	1.0	1.0	1.0	1.0
TOTAL	82	101	101	101	124	124	124

Source: Form H in Section Q of the application
 Totals may not sum due to rounding

The assumptions used to project staffing are provided in Section Q, page 94. 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 38-39, the applicant describes the methods used to recruit or fill new positions and its training and continuing education programs. The applicant identifies Dr. Marshall Anderson as Liberty Commons' Medical Director and provides supporting documentation in Exhibit H.4.

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

Conclusion

The Agency reviewed the:

- application, and
- 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, page 41, the applicant states that the following ancillary and support services are necessary for the proposed services and states how the services are provided:

- Podiatry
- Pharmacy
- Laboratory
- Dietary
- Transportation
- Medical Director
- Speech, Rehab and Occupational Therapy
- Optometry
- Social Services
- Housekeeping and Laundry
- Beauty/Barber
- Hospice/Respite
- Pastoral/Chaplaincy
- X-ray/Radiology
- Dialysis

In Section I, page 42, the applicant describes its existing and proposed relationships with other local health care and social service providers and provides supporting documentation in Exhibit I.2.

The applicant adequately demonstrates that necessary ancillary and support services will be made available and that the proposed services will be coordinated with the existing health care system.

Conclusion

The Agency reviewed the:

- application, and
- 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

The applicant proposes to relocate 32 NF beds from Edgewood Place to Liberty Commons for a total of 122 NF beds and 48 ACH beds upon project completion. In Section C.1, page 16, the applicant states that it will relocate the 32 NF beds as soon as possible into the facility's existing ACH wing. The existing Liberty Commons 48 ACH beds will be moved and developed in a newly constructed wing at Liberty Commons.

In Section K, page 44, the applicant states that the project involves 15,992 square feet of new construction to develop the new wing to house the existing 48 ACH beds. Line drawings are provided in Exhibit K-1.

On pages 44-45, the applicant adequately explains how the cost, design, and means of construction represent the most reasonable alternative for the proposal; and 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.

On page 45, the applicant refers to Section B.11, where it adequately identifies any applicable energy saving features that will be incorporated into the construction plans.

Conclusion

The Agency reviewed the:

- application, and
- exhibits to the application.

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

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

C

In Section L, pages 48-49, the applicant provides the historical payor mix for FY2019 at Liberty Commons, as summarized in the tables below.

**Liberty Commons Payor Mix
 FY2019**

PAYOR CATEGORY	NF PATIENT DAYS AS PERCENT OF TOTAL	ACH PATIENT DAYS AS PERCENT OF TOTAL
Private Pay	13.38%	58.69%
Medicare	16.86%	0.00%
Medicaid	69.76%	0.00%
County Assistance	0.00%	41.31%
Total	100.00%	100.00%

In Section L, pages 47-48, the applicant provides the following comparison.

	Percentage of Total NF Patients Served during the Last Full FY	Percentage of Total ACH Patients Served during the Last Full FY	Percentage of the Population of Alamance County*
Female	74.67%	81.82%	52.37%
Male	25.33%	18.18%	47.63%
64 and Younger	9.33%	0.00%	80.30%
65 and Older	90.67%	100.00%	19.70%

* The percentages can be found online using the United States Census Bureau's QuickFacts which is at: <https://www.census.gov/quickfacts/fact/table/US/PST045218>. Just enter in the name of the county.

Conclusion

The Agency reviewed the:

- application,
- exhibits to the application, and
- information which was publicly available during the review and used by the Agency.

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

- (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 handicapped persons, in Section L, page 49, the

applicant states that it has no obligation to provide uncompensated care, community service, or access by minorities and handicapped persons.

In Section L, page 49, the applicant states that during the last five years no patient civil rights equal access complaints have been filed against any affiliated North Carolina facilities.

The Agency reviewed the:

- application, and
- 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 50, the applicant projects the payor mix for the third full fiscal year following development of the NF beds and the ACH beds, separately, as summarized below.

**NF Beds Payor Mix
FY2023**

PAYOR CATEGORY	NF PATIENT DAYS AS PERCENT OF TOTAL
Private Pay	13.51%
Medicare	16.22%
Medicaid	70.27%
Total	100.00%

**ACH Beds Payor Mix
FY2026**

PAYOR CATEGORY	ACH PATIENT DAYS AS PERCENT OF TOTAL
Private Pay	59.09%
County Assistance	40.91%
Total	100.00%

The applicant projects that 14% of the NF patient days of care will be provided to private-pay patients, 16% to Medicare patients and 70% to Medicaid patients

during the third full fiscal year following completion of the project. The applicant projects that 59% of the ACH patient days of care will be provided to private-pay patients and 41% will be provided to County Assistance patients.

In Section L.3, page 50, the applicant provides the assumptions and methodology used to project payor mix, stating that it uses the historical facility experience, Liberty's experience with occupancy and relocation of beds through its affiliation of 33 NFs throughout the State, and the future demographic demand to project payor source.

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

- The projected payor mix is based on the payor mix of Liberty Commons' FY2019 patient days of care.
- The projected payor mix considers Liberty's experience with occupancy and relocation of beds and the future demographic demand.

Conclusion

The Agency reviewed the:

- application,
- exhibits to the application, and
- information which was publicly available during the review and used by the Agency.

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

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

C

In Section L, page 51, the applicant adequately describes the range of means by which patients will have access to the proposed services.

The Agency reviewed the:

- application, and
- exhibits to the application.

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

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

C

In Section M, page 52, 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.2.

The Agency reviewed the:

- application, and
- 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

The applicant proposes to relocate 32 NF beds from Edgewood Place to Liberty Commons for a total of 122 NF beds and 48 ACH beds upon project completion.

On page 175, the 2020 SMFP defines the service area for NF beds as “*the county in which the bed is located.*” Both Edgewood Place and Liberty Commons are located in Alamance County, thus, the service area for this project is Alamance County. Facilities may also serve residents of counties not included in their service area.

Based on data reported in Table 10A and Table 10C, in the 2020 SMFP, pages 178 and 200, respectively, Alamance County currently has eight nursing facilities with a total of 888 licensed nursing care beds, with 72 excluded from the planning inventory, and a county-wide occupancy rate of 85.4%, as summarized below.

Alamance County Nursing Facilities, 2020 SMFP

FACILITY	TOTAL LICENSED NF BEDS	TOTAL PLANNING INVENTORY*	COUNTY OCCUPANCY RATE
Alamance Health Care Center	180	180	
Edgewood Place at the Village at Brookwood	105	81	
Liberty Commons Nursing and Rehab Center Alamance County	90	90	
Peak or Graham (Transfer of 120 beds from Peak Resources -Alamance)	120	120	
The Presbyterian Home of Hawfields Inc	117	113	
Twin Lakes Community	100	64	
Twin Lakes Community Memory Care	16	8	
White Oak Manor-Burlington	160	160	
Total Nursing Care Beds	888	816	85.4%

*Beds excluded for planning inventory purposes: nursing beds for head injury or ventilator-dependent patients; beds held for the exclusive use of the related continuing care retirement community (CCRC) residents pursuant to Policy NH-2; and nursing beds transferred from state psychiatric hospitals to the community pursuant to Policy NH-5.

In Section N, pages 53-54, the applicant describes the expected effects of the proposed services on competition in the service area and discusses how any enhanced competition in the service area will promote cost-effectiveness, quality, and access to the proposed services. In reference to the relocated NF beds, the applicant states:

“The NF beds proposed to be relocated are already licensed for use in Alamance County, the same county to which the beds are proposed to be relocated. While this will not affect the competition in the county by virtue of a net increase in licensed beds in the county, it may collaterally impact the applicant’s competition merely by allowing the applicant to more efficiently operate its facility and offer a better skilled nursing program to its residents.

...

Thus this project will increase access for the typically underserved population of State/County Special Assistance and thus, have a positive impact on the cost effectiveness.

...

Liberty is a family-owned and operated company, with a strong commitment to Caring with Excellence.

...

Liberty as a company works continually to optimize value and outcomes through the quality, efficiency, and effectiveness of everything we do. Our foremost obligation is to achieve the goals of our customers by devising and delivering high quality health care to each individual served.”

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

Conclusion

The Agency reviewed the:

- application,
- exhibits to the application, and
- information which was publicly available during the review and used by the Agency.

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

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

C

Liberty Long Term Care, LLC and Liberty Senior Living, LLC are affiliates of the applicant. Liberty Long Term Care, LLC owns and operates nursing facilities in North Carolina as identified on Form A.7(a), pages 62-63. Liberty Senior Living, LLC owns and operates ACH facilities in North Carolina as identified on Form A.7(b), page 64.

In Section O, pages 56-57, the applicant states that all Liberty facilities identified in Form A.7(a) have had annual surveys conducted by the North Carolina Department of Health and Human Services, resulting in deficiencies being cited at five of the 33 nursing facilities. Of the facilities cited for deficiencies, all are back in compliance, except for Summerstone Health and Rehabilitation Center which was cited with an immediate jeopardy deficiency related to pain management, as recently as January 2020. The

outcome from the cited deficiency had not been determined at the time of the submission of the application; and the applicant states it intends to dispute it.

After reviewing and considering information provided by the applicant and by the Nursing Home Licensure and Certification Section and considering the quality of care provided at all 33 NF facilities, the applicant provides 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 applicant proposes to relocate existing licensed nursing care beds from one existing facility to another existing facility in the same county. The Criteria and Standards for Nursing Facility or Adult Care Home Services, which are promulgated in 10A NCAC 14C .1100, are not applicable to this review because the rules do not apply to a proposal to relocate existing licensed nursing care beds.