

## REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: April 24, 2020

Findings Date: April 24, 2020

Project Analyst: Celia C. Inman

Team Leader: Fatimah Wilson

Project ID #: G-11858-20

Facility: Peak Resources-Alamance

FID #: 150231

County: Alamance

Applicants: Peak Resources-Alamance, Inc.

Peak of Graham, LLC

Project: Relocate no more than 22 NF beds pursuant to Policy NH-6 from Edgewood Place at the Village at Brookwood for a total of no more than 142 NF 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

Peak Resources-Alamance, Inc. and Peak of Graham, LLC, collectively referred to as “Peak” or “the applicant”, proposes to acquire and relocate 22 nursing facility (NF) beds pursuant to Policy NH-6 from Edgewood Place at the Village at Brookwood (Edgewood Place) to Peak Resources-Alamance for a total of 142 NF beds.

## **Need Determination**

The proposed project does not involve the addition of any new health service facility beds, services, or equipment for which there is a need determination in the 2020 State Medical Facilities Plan (SMFP). Therefore, there are no need determinations in the 2020 SMFP which are applicable to this review.

## **Policies**

There is one policy in the 2020 SMFP which are applicable to this review: *Policy NH-6: Relocation of Nursing Facility Beds*.

*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 Peak Resources-Alamance 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 beds within the county. Therefore, the application is consistent with Policy NH-6.

## **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 proposed to be relocated are existing licensed beds located in Alamance County; therefore, the applicant does not propose any change to the existing bed inventory in Alamance County and is consistent with Policy NH-6.
- (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 22 NF beds from Edgewood Place to Peak Resources-Alamance. Upon project completion, Peak Resources-Alamance will be licensed for a total of 142 NF beds. Assuming approval, Edgewood Place will be licensed for 51 NF beds and 24 ACH beds upon completion of this project and concurrently filed Project ID #G-11854-20 (relocate 32 NF beds from Edgewood Place).

### **Patient Origin**

In Section C.1, page 20, the applicant states that it proposes to relocate 22 NF beds from Edgewood Place to Peak Resources-Alamance. Peak Resources-Alamance will convert existing private occupancy rooms to semi-private/double occupancy rooms at the existing Peak Resources-Alamance facility. The existing Edgewood Place 22 NF beds are part of the licensed continuing care retirement community (CCRC), The Village at Brookwood (The Village). The owner of The Village has made a decision to divest itself of a portion of NF beds at the Edgewood Place nursing facility, subject to approval of the relocation of the NF 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 Peak Resources-Alamance 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.2, page 21, the applicant provides the historical patient origin for all patients admitted to Peak Resources-Alamance’s NF beds during the last full fiscal year (FY), as of January 31, 2020, as summarized in the following table.

**Peak Resources-Alamance  
 Historical Nursing Facility Patient Origin  
 As of January 31, 2020**

<b>County</b>	<b>General NF Number of Patients</b>	<b>General NF Percent of Patients</b>
Alamance	762	80.5%
Guilford	47	5.0%
Orange	35	3.7%
Forsyth	31	3.3%
Durham	29	3.1%
Rockingham	14	1.5%
Davidson	12	1.3%
Randolph	7	0.7%
Davie	5	0.5%
Wake	4	0.4%
<b>Total</b>	<b>946</b>	<b>100.0%</b>

Totals/percentages may not sum/calculate due to rounding  
 Source: Exhibit J.1

In Section C.3, page 22, the applicant provides the projected patient origin at Peak Resources-Alamance in the third full fiscal year following development of the relocated NF beds, as summarized in the following table.

**Peak Resources-Alamance  
 Projected Nursing Facility Patient Origin  
 Third Full Fiscal Year  
 FY2023**

<b>County</b>	<b>General NF Number of Patients</b>	<b>General NF Percent of Patients</b>
Alamance	781	80.2%
Guilford	55	5.7%
Orange	35	3.6%
Forsyth	32	3.3%
Durham	29	3.0%
Rockingham	14	1.4%
Davidson	12	1.2%
Randolph	7	0.7%
Davie	5	0.5%
Wake	4	0.4%
<b>Total*</b>	<b>946 [974]</b>	<b>100.0%</b>

Totals/percentages may not sum/calculate due to rounding  
 \*The applicant appears to have made a typographical error in the total number of patients.  
 The applicant's percentages confirm the typographical error.

Peak Resources-Alamance does not provide adult care home (ACH) services. In Section C, page 22, the applicant provides the assumptions and methodology used to project its patient origin, stating that the projections represent an increase in patients mostly within

Alamance County, which is expected to consist of primarily Medicaid / Indigent / Underserved patients.

In supplemental information requested by the Agency, the applicant confirms the typographical error in summing the projected patient origin by county in the table provided on page 22 and summarized above.

The applicant's assumptions are reasonable and adequately supported.

### **Analysis of Need**

In Section C, pages 22-23, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services. The applicant states that the following factors support the need for the relocation of the 22 NF beds:

- Percentage of population growth in the age group 65 plus in Zip code 27253 and across service area ZIP codes (page 22),
- Need for additional beds at Peak Resources-Alamance (page 23), and
- Demand for placement of Medicaid beneficiaries (page 23).

In Section B.5(a), page 14, the applicant states:

*“Although this proposed relocation neither increases or decreases the deficit of planned inventory beds for Alamance County, the relocation of these beds will provide better access to Nursing Facility Care for the residents of Alamance County and the surrounding area; as described below.*

*The proposed relocated beds are currently licensed to Alamance Extended Care Inc. d/b/a Edgewood Place at the Village at Brookwood (“The Village at Brookwood”). The Village at Brookwood is a licensed Continuing Care Retirement Community and has recently made the decision to discontinue operations of the campus’s Health Center (Nursing Facility) “Edgewood Place”. Since the Village at Brookwood has a primary business model focused on Independent Living and Assisted Living, Edgewood Place Health Center has struggled to maintain a healthy and consistent NDF occupancy. As such, the relocation of these beds to Peak Resources-Alamance would place these NF beds in service within a facility that maintains a strong occupancy and diverse Payer Mix that focuses heavily on the Medicaid population.”*

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

- Claritas data (Exhibit C.4) shows the population aged 65 and older in the specified Alamance ZIP code areas is projected to increase 18.3% between 2020 and 2025.
- The current owner of Edgewood Place intends to downsize its nursing facility and no longer wants to operate a portion of its 105 NF beds. Relocating the beds

to Peak Resources-Alamance from Edgewood Place would allow the applicant to offer the individuals currently residing at Edgewood Place the opportunity to move to Peak Resources-Alamance and remain in Alamance County.

- Peak Resources-Alamance has had an average occupancy of 94.7% over the last three fiscal years, leaving very few open beds at any given time.
- The applicant states there is a demand for placement of Medicaid beneficiaries in nursing facilities and the relocation of the 22 NF beds to space converted from private/single occupancy rooms to semi-private/double occupancy rooms will serve the Medicaid and Indigent population of the service area in need of long-term care.

Projected Utilization

In Section Q Form C, page 69, the applicant provides Peak Resources-Alamance’s historical, interim and projected utilization (FY2019-FY2023), as summarized in the table below.

	Prior Year FY2019	Interim Year FY2020	Projected FY2021	Projected FY2022	Projected FY2023
# General NF Beds	120	120	142	142	142
Days of Care	41,853	41,035	48,860	48,860	48,860
Occupancy Rate	95.6%	93.7%	94.3%	94.3%	94.3%
Total # NF Beds	120	120	142	142	142
Days of Care	41,853	41,035	48,860	48,860	48,860
Occupancy Rate	95.6%	93.7%	94.3%	94.3%	94.3%
# General ACH Beds	0	0	0	0	0
Days of Care	0	0	0	0	0
Occupancy Rate	0%	0%	0%	0%	0%
Total # ACH Beds	0	0	0	0	0
Days of Care	0	0	0	0	0
Occupancy Rate	0%	0%	0%	0%	0%

In Section Q, following the pro forma financial statements, the applicant provides the assumptions and methodology used to project utilization, which are summarized below.

- Fiscal years run from October 1 through September 30.
- Prior full fiscal year is based on operations for the 12 months ending September 30, 2019
- Interim full fiscal year is based on annualized operations from year-to-date data as of December 31, 2019.
- Proposed project to be complete September 30, 2020 with services offered beginning October 1, 2020.
- First full fiscal year includes fill-up of new beds at the rate of 4 per week until 94.3% occupancy is reached in FY2021.

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

- Projected utilization is based on the applicant's estimates from historical operations and current waiting lists for Peak Resources-Alamance.
- The applicant's utilization projections are supported by the historical and projected growth and aging of the Alamance County population, particularly for older patient populations.
- The project seeks to relocate NF beds which are included in the Alamance NF inventory but will provide better access for Alamance County residents if they are relocated.

### Access

In Section C.8, pages 25-26, the applicant states:

*“Peak Resources, Inc. has a 20 year history of serving the indigent / Medicaid population in the counties served by their Nursing Facilities. Specifically, Peak Resources-Alamance maintains a census which consists of over 50% Medicaid beneficiaries. Peak Resources-Alamance accepts both direct admit Medicaid beneficiaries, as well as those patients that transition to Medicaid after their Medicare benefit or Private Pay resources have lapsed.*

...

*Peak Resources-Alamance has a strict non-discriminatory policy, which allows full access to the facility regardless of gender, race, religion, or country of origin.*

...

*Peak Resources-Alamance is fully equipped to handle handicapped patients, including multiple handicap ramps and a handicapped equipped van to provide transportation for patients.”*

In Section L, page 55, the applicant projects the payor mix for the third full fiscal year following development of the relocated NF beds, as summarized below.

**NF Beds Payor Mix  
FY2023**

<b>PAYOR CATEGORY</b>	<b>SERVICES AS PERCENT OF TOTAL PATIENT DAYS</b>
Private Pay	6.0%
Medicare*	10.2%
Medicaid*	58.8%
TRICARE	18.0%
Other^	7.0%
<b>Total</b>	<b>100.00%</b>

\*Including any managed care plans

^Other is specified as Hospice on page 54

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 facility operates with a waiting list for placement of patients.
- The applicant projects an increase in census of Medicaid beneficiaries at an average additional 15 Medicaid beneficiaries.

**Conclusion**

The Agency reviewed the:

- application,
- exhibits to the application,
- information which was publicly available during the review and used by the Agency, and
- supplemental information requested 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 acquire and relocate 22 NF beds from Edgewood Place to Peak Resources-Alamance for a total of 142 NF beds. The two facilities are located in Alamance County.

Edgewood Place is 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. Assuming approval, 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 concurrently filed Project ID #G-11854-20 (relocate 32 NF beds from Edgewood Place).

In Section D, page 31, the applicant states that the current owner of Edgewood Place wants to divest itself of a portion of its NF beds and Peak Resources-Alamance wants to acquire 22 beds and will allow first rights of placement to any patients at Edgewood Place impacted by the relocation of NF beds. 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.

In Section B.5(a), page 14, the applicant states:

*“Although this proposed relocation neither increases or decreases the deficit of planned inventory beds for Alamance County, the relocation of these beds will provide better access to Nursing Facility Care for the residents of Alamance County and the surrounding area; as described below.*

*The proposed relocated beds are currently licensed to Alamance Extended Care Inc. d/b/a Edgewood Place at the Village at Brookwood (“The Village at Brookwood”). The Village at Brookwood is a licensed Continuing Care Retirement Community and has recently made the decision to discontinue operations of the campus’s Health Center (Nursing Facility) “Edgewood Place”. Since the Village at Brookwood has a primary business model focused on Independent Living and Assisted Living, Edgewood Place Health Center has struggled to maintain a healthy and consistent NDF occupancy. As such, the relocation of these beds to Peak Resources-Alamance would place these NF beds in service within a facility that maintains a strong occupancy and diverse Payer Mix that focuses heavily on the Medicaid population.”*

### **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 acquire and relocate 22 NF beds from Edgewood Place to Peak Resources-Alamance. Upon project completion, Peak Resources-Alamance will be licensed for a total of 142 NF beds.

In Section E, pages 34-35, 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:

*“The relocation of these 22 NF beds will open availability to nursing facility placement within Alamance County that did not exist at Edgewood Place due to the different operating models (CCRC vs. Free Standing Nursing Facility).”*

Thus, maintaining the status quo was dismissed as not the most effective alternative for Alamance County nursing home residents.

- Relocate 22 NF Beds and Construct a New Addition at Peak Resources-Alamance – the applicant states that this alternative would require significantly more capital because additional new space would have to be constructed; thus making this alternative a more costly and less effective alternative.

On page 35, the applicant states:

*“Not only will the conversion of Private/Single Occupancy rooms to Semi-Private/Double Occupancy rooms result in much lower costs to the healthcare system, it will increase overall efficiency at Peak Resources-Alamance without damaging the current economies of scale realized at the facility. . . . As a result, the applicant decided to move forward with a proposal to re-locate these 22 NF beds.”*

The applicant adequately demonstrates that the alternative proposed in this application is the most effective and least costly 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. Peak Resources-Alamance, Inc. and Peak of Graham, LLC shall materially comply with all representations made in the application and any supplemental responses. In the event that representations conflict, Peak Resources-Alamance, Inc. and Peak of Graham, LLC shall materially comply with the last made representation.**
- 2. Peak Resources-Alamance, Inc. and Peak of Graham, LLC shall acquire and relocate no more than 22 nursing facility beds from Edgewood Place at the Village at Brookwood for a total of no more than 142 nursing facility beds at Peak Resources-Alamance upon project completion.**
- 3. Upon issuance of the CON, Alamance Extended Care, Inc. shall take appropriate steps to de-license 22 nursing facility beds from Edgewood Place at the Village at Brookwood.**
- 4. For the first two years of operation following completion of the project, Peak Resources-Alamance, Inc. and Peak of Graham, 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. Prior to the issuance of the certificate of need, Peak Resources-Alamance, Inc. and Peak of Graham, LLC shall obtain documentation from Cone Health showing that the purchase transaction between the buyer and seller has been completed and shall provide a copy of the documentation to the Healthcare Planning and Certificate of Need Section.**

6. **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, Peak Resources-Alamance, Inc. and Peak of Graham, LLC shall submit, on the form provided by the Healthcare Planning and Certificate of Need Section, an annual report containing the:**
    - a. **Payor mix for the services authorized in this certificate of need.**
    - b. **Utilization of the services authorized in this certificate of need.**
    - c. **Revenues and operating costs for the services authorized in this certificate of need.**
    - d. **Average gross revenue per unit of service.**
    - e. **Average net revenue per unit of service.**
    - f. **Average operating cost per unit of service.**
  7. **Peak Resources-Alamance, Inc. and Peak of Graham, 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 22 NF beds from Edgewood Place to Peak Resources-Alamance for a total of 142 NF beds upon project completion.

**Capital and Working Capital Costs**

In Section Q Form F.1a Capital Cost, page 71, the applicant projects the total capital cost of the proposed project, as shown in the table below.

	<b>Peak Resources-Alamance, Inc.</b>	<b>Peak of Graham, LLC</b>	<b>Total Capital Cost</b>
Non-Medical Equipment	\$25,000	\$0	\$25,000
Furniture	\$15,000	\$0	\$15,000
Consultant Fees	\$0	\$40,000	\$40,000
Other *	\$0	\$455,000	\$455,000
<b>Total</b>	<b>\$40,000</b>	<b>\$495,000</b>	<b>\$535,000</b>

Totals may not sum due to rounding  
\*Bed transfer/legal fees/contingency

In Section F, page 38, the applicant projects there will be no start-up costs or initial operating expenses. Peak Resources-Alamance is an existing facility with ongoing operations.

**Availability of Funds**

In Section F.2, page 37, the applicant states that the capital cost will be funded as shown in the table below.

**Sources of Capital Cost Financing**

	Peak Resources-Alamance, Inc.	Peak of Graham, LLC	Total Capital Cost
Loans	\$0	\$0	\$0
Accumulated Reserves or OE*	\$40,000	\$525,000	\$565,000
Bonds	\$0	\$0	\$0
Other	\$0	\$0	\$0
<b>Total</b>	<b>\$40,000</b>	<b>\$525,000</b>	<b>\$565,000</b>

\* OE = Owner's Equity

Totals may not sum due to rounding

As the comparison of the two tables above shows, the applicant provides sources of capital financing by Peak of Graham, LLC in an amount of \$30,000 more than needed for the projected capital costs, as presented in Section Q Form F.1a Capital Cost. In supplemental information requested by the Agency, the applicant provided a corrected Section Q Form F.1a Capital Cost as presented below:

	Peak Resources-Alamance, Inc.	Peak of Graham, LLC	Total Capital Cost
Non-Medical Equipment	\$25,000	\$0	\$25,000
Furniture	\$15,000	\$0	\$15,000
Consultant Fees	\$0	\$40,000	\$40,000
Other *	\$0	\$485,000	\$485,000
<b>Total</b>	<b>\$40,000</b>	<b>\$525,000</b>	<b>\$565,000</b>

Exhibit F contains a letter dated February 7, 2020 from the President of Peak of Graham, LLC, and the related party lessor to Peak Resources-Alamance, pledging *“to reserve approximately \$600,000 in cash or cash equivalents”* for the relocation of 22 NF beds from Edgewood Place. Exhibit F also contains the Peak of Graham Balance Sheet, as of February 12, 2020, and the Peak Resources-Alamance Balance Sheet, as of September 30, 2019, documenting adequate cash assets for both entities to finance their portions of the 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 74-85, the applicant provides pro forma financial statements for the prior year, interim year, and the first three full fiscal years of operation for the first three years following completion of the total project (FY2021-FY2023). 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 74-78, Form F.4 Operating Costs, pages 79-83, and Form F.5 Income Statement, pages 84-85.

	<b>FY2019</b>	<b>FY2020</b>	<b>FY2021</b>	<b>FY2022</b>	<b>FY2023</b>
<b>NF Beds</b>					
Projected # of Patient Days	41,853	41,035	48,860	48,860	48,860
Gross Revenue	\$11,624,108	\$11,688,124	\$13,358,610	\$13,358,610	\$13,358,610
Deductions from Gross Revenue	\$189,452	\$190,236	\$212,928	\$212,928	\$212,928
Net Patient Revenue	\$11,434,656	\$11,497,888	\$13,145,682	\$13,145,682	\$13,145,682
Projected Average Net Revenue Per Patient Day	\$273	\$280	\$269	\$269	\$269
Total Operating Expenses	\$11,181,794	\$11,151,140	\$12,374,033	\$12,374,033	\$12,374,033
Avg Operating Expense / Pt Day	\$267	\$272	\$253	\$253	\$253
<b>NF Net Income</b>	<b>\$252,863</b>	<b>\$346,748</b>	<b>\$771,649</b>	<b>\$771,649</b>	<b>\$771,649</b>

In Section Q, following the pro forma financial statements, the applicant provides the “*Significant Assumptions-Section Q*” for the development of the pro forma financial statements.

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 22 NF beds from Edgewood Place to Peak Resources-Alamance for a total of 142 NF 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 Peak Resources-Alamance are 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, pages 178 and 200, Alamance County currently has eight nursing facilities with a total of 888 licensed nursing care beds, with 72 excluded from the planning inventory, 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 of 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	
<b>Total Nursing Care Beds</b>	<b>888</b>	<b>816</b>	<b>85.4%</b>

\*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, page 42, the applicant provides a summary of the same information provided above and in Tables 10A and 10C of the 2020 SMFP.

In Section G, page 42, 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 relocation of the beds will have no effect on the inventory of available NF beds within Alamance County. The applicant further states that the proposed project will provide an enhanced level of access to NF beds for the population of Alamance County and the surrounding areas.

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 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 22 relocated NF beds in addition to the existing NF beds in Alamance 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 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 22 NF beds from Edgewood Place to Peak Resources-Alamance for a total of 142 NF beds upon project completion.

In Section Q Form H, page 86, the applicant provides the current and projected staffing for the proposed services in full-time equivalent (FTE) positions, as summarized in the following table.

**Peak Resources-Alamance Current and Projected FTE Positions**

<b>FTE Position</b>	<b>As of 2/1/2020</b>	<b>FY2021</b>	<b>FY2022</b>	<b>FY203</b>
RNs	12.25	14.00	14.00	14.00
LPNs	23.00	26.00	26.00	26.00
Aides	46.00	54.00	54.00	54.00
DON	1.00	1.00	1.00	1.00
MDS Nurse	3.50	3.50	3.50	3.50
Alzheimer's Coordinator*	2.25	2.25	2.25	2.25
Clerical	1.00	1.00	1.00	1.00
Medical Records	1.00	1.50	1.50	1.50
Social Services	2.25	2.25	2.25	2.25
Activities	2.00	2.50	2.50	2.50
Plant Operation & Maintenance	2.00	2.00	2.00	2.00
Administration	8.00	8.50	8.50	8.50
<b>TOTAL</b>	<b>104.25</b>	<b>118.50</b>	<b>118.50</b>	<b>118.50</b>

Source: Form H in Section Q of the application

Totals may not sum due to rounding

\*In supplemental information requested by the Agency, the applicant states that the Staff Development Coordinator and Alzheimer's staff person listed in Section I.1 are combined in the Alzheimer's Coordinator position at 2.25 FTE positions and roll up into routine services on Form F.4 Operating Costs.

The applicant provides some assumptions related to projected staffing following Form H, in "Significant Assumptions-Section Q". In supplemental information requested by the Agency, the applicant provides clarifying staffing information, stating that the pharmacy consultant is covered in Routine Services - Pharmacy on the Form F.4 Operating Costs and the pastoral care position is as a volunteer position.

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 44-45, the applicant describes the methods used to recruit or fill new positions and its training and continuing education programs. The applicant identifies David Bronstein, MD, PhD, ABFP as Peak Resources-Alamance 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
- exhibits to the application, and
- supplemental information requested by the Agency.

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

- (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 46, the applicant provides a chart showing the ancillary and support services available at Peak Resources-Alamance and how the services are offered, including the following:

- Nursing Care
- Activity
- Podiatry
- Pharmacy
- Laboratory
- Dietary
- Transportation
- Medical Records
- Physical, Speech, and Occupational Therapy
- Ophthalmology
- Audiology
- Dentistry
- Staff Development
- Administration/HR
- Social Services
- Housekeeping and Laundry
- Beauty/Barber
- Family Support
- Pastoral Care
- X-ray/Radiology
- Alzheimer's/Dementia
- Maintenance
- Medical Director

In Section I, page 47, 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 22 NF beds from Edgewood Place to Peak Resources-Alamance for a total of 142 NF beds upon project completion.

In Section K, page 49, the applicant states that the project involves renovating 5,106 square feet, representing 22 rooms currently designated as private/single occupancy rooms, which will be converted to semi-private/double occupancy rooms. Line drawings are provided in Exhibit K-2.

On pages 49-50, 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 50, the applicant discusses any applicable energy saving features that were incorporated into the original construction plans of Project ID #G-10357-14.

### 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, page 54, the applicant provides the historical payor mix for FY2019 at Peak Resources-Alamance, as summarized in the tables below.

**Peak Resources-Alamance Payor Mix  
 FY2019**

<b>PAYOR CATEGORY</b>	<b>NF BEDS AS PERCENT OF TOTAL</b>	<b>ACH BEDS AS PERCENT OF TOTAL</b>
Private Pay	6.4%	0.00%
Insurance*	0.00%	0.00%
Medicare*	33.3%	0.00%
Medicaid*	52.6%	0.00%
Other (Hospice)	7.7%	0.00%
<b>Total</b>	<b>100.00%</b>	<b>0.00%</b>

\*Including any managed care plans

Note: the applicant's table on page 54 included a line item titled Medicare Managed Care in the amount of 22.2%. The Agency adds that amount to Medicare in the table above.

In Section L, page 53, the applicant provides the following comparison.

	<b>Percentage of Total NF Patients Served during the Last Full FY</b>	<b>Percentage of the Population of the Service Area</b>
Female	59.3%	57.5%
Male	40.7%	42.5%
Unknown	0.0%	0.0%
64 and Younger	<1.0%	82.0%
65 and Older	99.0+%	18.0%
American Indian	0.9%	0.7%
Asian	0.6%	1.6%
Black or African-American	26.8%	19.6%
Native Hawaiian or Pacific Islander	0.0%	0.1%
White or Caucasian	71.7%	68.6%
Other Race	0.0%	9.4%
Declined/Unavailable	0.0%	0.0%

\*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 54, 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 54, the applicant states that there have been no patient civil rights equal access complaints filed against Peak Resources-Alamance or Edgewood Place during the last five years.

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 55, the applicant projects the payor mix for the third full fiscal year following development of the NF beds, as summarized below.

**NF Beds Payor Mix  
FY2023**

<b>PAYOR CATEGORY</b>	<b>SERVICES AS PERCENT OF TOTAL PATIENT DAYS</b>
Private Pay	6.0%
Insurance*	0.0%
Medicare*	10.2%
Medicaid*	58.8%
TRICARE	18.0%
Other^	7.0%
<b>Total</b>	<b>100.00%</b>

\*Including any managed care plans

^Other is specified as Hospice on page 54

The applicant projects that 6% of the NF services will be provided to private-pay patients, 10% to Medicare beneficiaries, 59% to Medicaid beneficiaries and 18% to TRICARE beneficiaries during the third full fiscal year following completion of the project.

In Section L.3, page 55, the applicant provides the assumptions and methodology used to project payor mix, stating that it uses the historical facility experience, with the assumption that most of the increase in census will be Medicaid beneficiaries.

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

- The projected payor mix is based on the payor mix of Peak Resources-Alamance.
- The projected payor mix considers the projected increase in Medicaid beneficiaries.

**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.

- (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 56, 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 57, 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 22 NF beds from Edgewood Place to Peak Resources-Alamance for a total of 142 NF 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 Peak Resources-Alamance are 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, 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, with a county-wide occupancy 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 of 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	
<b>Total Nursing Care Beds</b>	<b>888</b>	<b>816</b>	<b>85.4%</b>

\*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 58-59, 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 that because the proposed project does not increase the number of NF beds in Alamance County, there is no anticipated effect on competition in the proposed service area. The applicant further states:

*“Since the majority of patients at Peak Resources-Alamance are subsidized by Government funding (Medicare or Medicaid), there will be no impact on cost effectiveness.*

...

*Peak Resources-Alamance has a history of quality patient care, which will continue with the relocation of these 22 NF beds.*

...

*Peak Resources-Alamance expects that the Medicaid occupancy will increase significantly with the relocation of 22 NF Beds. The facility from which the beds are coming from (Edgewood Place) has not historically had the level of Medicaid occupancy as that of Peak Resources-Alamance. Therefore, the relocation of these 22 NF beds will greatly improve access to the underserved population.”*

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

In Section O, page 61, the applicant states that of the nine Peak Resources nursing facilities, only Peak Resources-Brookshire was cited for substandard quality of care within the 18-month look-back period. The applicant further states:

*“Exhibit O.3 shows the recent survey history for all Peak facilities; all of which are in full compliance after clearing any deficiencies.”*

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 nine nursing 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.