

REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conforming as Conditioned

NC = Nonconforming

NA = Not Applicable

Decision Date: March 30, 2022

Findings Date: March 30, 2022

Project Analyst: Gregory F. Yakaboski

Co-Signer: Micheala L. Mitchell

Project ID #: Q-12140-21

Facility: The Beaufort Community

FID #: 210830

County: Beaufort

Applicants: The Beaufort Community, LLC

Beaufort AL Properties, LLC

Project: Develop a new ACH by relocating 50 ACH beds acquired via a Transfer for Good Cause of Project ID# Q-7117-04 (develop a 50 bed ACH) and Project ID# Q-8386-09 (COR for Project ID# Q-7117-04), and by relocating 34 ACH beds from Willow Manor, for a total of no more than 84 ACH beds, including 16 SCU beds, upon completion

REVIEW CRITERIA

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

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

C

The Beaufort Community, LLC and Beaufort AL Properties, LLC (hereinafter collectively referred to as “the applicant” or Beaufort) proposes to develop a new 84-bed adult care home (ACH) facility, including 16 special care unit (SCU) beds, in Beaufort County by relocating 50 ACH beds acquired via a Transfer for Good Cause of Project ID# Q-7117-04 (develop a 50 bed ACH) and Project ID# Q-8386-09 (COR for Project ID# Q-7117-04), and by relocating 34 ACH beds from Willow Manor which is also located in Beaufort County.

The new 84-bed ACH facility will be known as The Beaufort Community, LLC (The Beaufort Community).

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 2021 State Medical Facilities Plan (SMFP). Therefore, there are no need determinations applicable to this review.

Policies

There is one policy in the 2021 SMFP which is applicable to this review: **Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities**, on page 29 of the 2021 SMFP, states:

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

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

Any person awarded a certificate of need for a project or an exemption from review pursuant to G.S. 131E-184 is required to submit a plan for 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 capital expenditure of the project is over \$5 million. In Section B, page 30 and Exhibit 1, the applicant describes its plan to assure improved energy efficiency and water conservation including the purchase and utilization of energy efficient appliances, heating and cooling systems and irrigation systems. The project architect states, “We will also assist the owner in developing a comprehensive water and energy conservation plan which complies with all applicable laws and regulations.”

Conclusion

The Agency reviewed the:

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

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

- The project is not based on a need determination in the 2021 SMFP.
- The applicant adequately demonstrates that the proposal is consistent with Policy GEN-4 because the application includes a written statement describing the project's plan to assure improved 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, ... persons [with disabilities], the elderly, and other underserved groups are likely to have access to the services proposed.

NC

The applicant proposes to develop a new 84-bed ACH facility, including 16 special care unit (SCU) beds, in Beaufort County by relocating 50 ACH beds acquired via a Transfer for Good Cause of Project ID# Q-7117-04 (develop a 50 bed ACH) and Project ID# Q-8386-09 (COR for Project ID# Q-7117-04), and by relocating 34 ACH beds from Willow Manor.

Patient Origin

On page 175, the 2021 SMFP defines the service area for ACH beds as "*the county in which the adult care home bed is located.*" The proposed ACH facility and the existing facility from which the ACH beds are to be relocated are both located in Beaufort County. Thus, the service area for this project is Beaufort County. Facilities may also serve residents of counties not included in their service area.

The following table illustrates projected patient origin.

County	First Full FY of Operation following Project Completion (CY2023)		Second Full FY of Operation following Project Completion (CY2024)		Third Full FY of Operation following Project Completion (CY2025)	
	Patients	% of Total	Patients	% of Total	Patients	% of Total
Beaufort	74	95%	71	95%	71	95%
Other Contiguous	4	5%	4	5%	4	5%
Total	78	100%	75	100%	75	100%

Source: Table on page 33 of the application.

However, the applicant’s assumptions are not reasonable and adequately supported based on the following:

- The applicant did not provide any assumptions or methodology for its projected number of patients and patient origin.
- The applicant is projecting more patients in its first full year of operation following completion of the project than in its second and third operating years (OY).
- In addition, the applicant is projecting to complete construction of the new facility on December 1, 2022, thus, in the table above, the applicant has no “interim” year in which to ramp up residents. (See page 84 of the application.)
- Projected patient numbers in the patient origin table above are in contradiction with the data in Form C.1b which, in part, shows a facility occupancy rate of 44.5%, 87.5% and 87.5% in the first three OYs respectively (CY2023-CY2025) whereas the table above shows more patients in OY1 than in either OY2 or OY3. As the projected patient numbers are not reasonable the patient origin and percent of total is also not reasonable.

Analysis of Need

In Section C.4, pages 34-36, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services. The applicant states the specific need for the project is based on the following factors:

- The proposed 84 ACH beds are not new beds but rather beds not in use that are already showing in the ACH inventory for Beaufort County in the 2021 SMFP. (page 34)
- Interviews with the Beaufort County Department of Social Service, staff from Area Agency on Aging, local physicians and members of the community supporting a need for dementia patients and the Medicaid population. (page 35)
- Due to lack of ACH beds in Beaufort County residents were having to go out of County to facilities in Pitt County. (page 35)
- Local marketplace needs for ACH memory care services. (pages 35-36)

The information is reasonable and adequately supported based on the following:

- The applicant provides population and aging projections from credible sources to support the projected need for the ACH beds in Beaufort County.
- The applicant provides reliable data and information regarding the growing demand for ACH beds and in Beaufort County.

- The applicant provides reliable information regarding the need for memory care ACH beds in Beaufort County.
- The applicant does not propose to add any new ACH beds in Beaufort County. Rather it proposes to relocate both existing and approved ACH beds, which are either currently not being utilized or not yet licensed, within Beaufort County to a new ACH facility.

Projected Utilization

The Beaufort Community is not an existing ACH facility; therefore, it has no historical patient utilization to report. In Section Q Form C.1b the applicant provides the projected utilization for the first three years following project completion, as summarized in the table below:

The Beaufort Community: ACH Projected Utilization

	1st Full FY CY2023	2nd Full FY CY2024	3rd Full FY CY2025
ACH - All Beds	84	84	84
# of Admissions	88	97	124
# of Patient Days	13,839	27,375	27,375
Average Length of Stay	157	282	221
Occupancy Rate	45.1%	89.3%	89.3%
ACH- Special Care Unit Beds	16	16	16
# of Admissions	18	18	18
# of Patient Days	2,599	5,110	5,110
Average Length of Stay	144	284	269
Occupancy Rate	44.5%	87.5%	87.5%

However, projected utilization is not reasonable and adequately supported based on the following reasons:

- The applicant did not provide the assumptions and methodology, or any supporting documentation used to project utilization.
- In Section C, page 33, the applicant shows projected patient origin which includes projected patients for the first three operating years following project completion. The number of patients projected in OY1 is greater than in OY2 and OY3, which contradicts the data in Form C.1b as shown above.

Access to Medically Underserved Groups

In Section C.6, pages 39-40, the applicant states

“Healthview Capital Partners has a long-standing history of providing indigent/Medicaid/Special Assistance to residents in other facilities ... and will always provide this benefit to the low income population ...

Healthview Capital Partners has a strict non-discriminatory policy, which allows full access to the facility regardless of gender, race, religion, or country of origin...

*The proposed 84 bed facility will be fully equipped to handled handicapped residents ...
...and does not discriminate based on age... ”*

The applicant provides the estimated percentage for each medically underserved group, as shown in the following table.

Medically Underserved Groups	Percentage of Total Patients
Low income persons	45%
Racial and ethnic minorities	8%
Women	46%
Persons with Disabilities	19%
The elderly	75%
Medicare beneficiaries	75%
Medicaid recipients	45%

However, the applicant does not adequately describe the extent to which all residents of the service area, including underserved groups, are likely to have access to the proposed services based on the following:

- The applicant provides no basis in terms of documentation, assumptions, or methodology for the estimate for each medically underserved group it proposes to serve.

Conclusion

The Agency reviewed the:

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

Based on that review, the Agency concludes that the application is not conforming to this criterion for all the reasons described above.

- (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, ... persons [with disabilities], and other underserved groups and the elderly to obtain needed health care.

C

The applicant proposes to develop a new 84-bed ACH facility, including 16 special care unit (SCU) beds, in Beaufort County by relocating 50 ACH beds acquired via a Transfer for Good Cause of Project ID# Q-7117-04 (develop a 50 bed ACH) and Project ID# Q-8386-09 (COR for Project ID# Q-7117-04), and by relocating 34 ACH beds from Willow Manor.

In Section C, the applicant explains why it believes the needs of the population presently utilizing the services to be relocated will be adequately met following completion of the project. In Section C, pages 31 and 34, the applicant explains that there are no patients currently being served by any of the 84 ACH beds being relocated to develop the new facility.

The 50 ACH beds being relocated from Project ID#Q-7117-04 are approved but have never been developed. The 34 ACH beds being relocated from Willow Manor are licensed ACH beds however, they have not been in use for over a year. [See the 2021 license renewal application for Willow Manor]

The 84 ACH beds are being relocated to a proposed new facility within Beaufort County so that they can be utilized.

In Section C, pages 31 and 34, the applicant states:

“Willow Manor is approved for 34 beds and is licensed but not currently operational.

AG Dunston has an approved CON for 50 beds but the project is undeveloped. [See page 31]

The beds in this application represent 84 of the beds in the current inventory and they are not in use at this time.

We are not proposing to add or deplete beds- our goal is to place beds in inventory into use for the underserved. [See page 34]”

The information is reasonable and adequately supported.

Conclusion

The Agency reviewed the:

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

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

- The applicant adequately demonstrates that the needs of the population currently using the services to be reduced, eliminated or relocated will be adequately met following project completion for all the reasons described above.

- The applicant adequately demonstrates that the project will not adversely impact the ability of underserved groups to access these services following project completion for all the reasons described 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.

NC

The applicant proposes to develop a new 84-bed ACH facility, including 16 special care unit (SCU) beds, in Beaufort County by relocating 50 ACH beds acquired via a Transfer for Good Cause of Project ID# Q-7117-04 (develop a 50 bed ACH) and Project ID# Q-8386-09 (COR for Project ID# Q-7117-04), and by relocating 34 ACH beds from Willow Manor.

In Section E, page 50, the applicant states that there “*were no clear alternatives*” to the proposed project.

On page 50, the applicant states that its proposal is the most effective alternative because:

- “*This project provides an economical option for placing these ACH beds into services [sic] within Beaufort County.*”
- The 34 ACH beds from Willow Manor are licensed, but currently not in use. The 50 ACH beds from AG Dunston are approved but have never been developed.

However, the applicant does not adequately demonstrate that the alternative proposed in this application is the most effective alternative to meet the need based on the following:

- The application is not conforming to all statutory and regulatory review criteria. An application that cannot be approved cannot be an effective alternative to meet the need.

Conclusion

The Agency reviewed the:

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

Based on that review, the Agency concludes that the application is not conforming to this criterion for the reasons stated above. Therefore, the application is denied.

- (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.

NC

The applicant proposes to develop a new 84-bed ACH facility, including 16 special care unit (SCU) beds, in Beaufort County by relocating 50 ACH beds acquired via a Transfer for Good Cause of Project ID# Q-7117-04 (develop a 50 bed ACH) and Project ID# Q-8386-09 (COR for Project ID# Q-7117-04), and by relocating 34 ACH beds from Willow Manor.

Capital and Working Capital Costs

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

Site Costs	\$1,800,000
Construction Costs	\$8,569,440
Miscellaneous Costs	\$1,909,500
Total	\$12,278,940

The applicant provides its assumptions and methodology for projecting capital cost in Section Q and Exhibit 1. The applicant adequately demonstrates that the projected capital cost is based on reasonable and adequately supported assumptions based the information provided in Section F.1, page 51, Section Q and Exhibit 1.

In Section F.3, page 54, the applicant projects that start-up costs will be \$1,559,500 and initial operating expenses will be \$2,057,832, for total working capital of \$476,531. Total working capital is calculated by adding start-up costs plus initial operating expenses. The \$476,531 in total working capital is incorrect based on the stated start-up costs and the stated initial operating expenses. On page 54, the applicant provides the assumptions and methodology used to project the working capital needs of the project. However, the applicant does not adequately demonstrate that the projected working capital needs of the project are based on reasonable and adequately supported assumptions based on the following:

- The project analyst notes that the total working capital should be \$3,617,332 [$\$1,559,500 + \$2,057,832 = \$3,617,332$] based on the applicant's stated start-up costs and initial operating expenses. The applicant does not adequately demonstrate that the projected working capital needs of the project are based on reasonable and adequately supported assumptions as the applicant's stated total working capital (\$467,531) is vastly different than the total of the start-up costs and initial operating expenses (\$3,617,332). This does not appear to be a typo or mathematical error as on page 55 the applicant identifies the source of financing for working capital and the stated amount needed is \$467,531.

Availability of Funds

Section F.2 of the application form requests that the applicant indicate how the capital cost will be funded. On pages 52-53, the applicant states that up to \$10.0 million would be funded via a bank loan from Providence Bank and that C. Saunders Roberson, Jr would "*infuse cash to the project as needed.*"

In Section F. 3, page 55, the applicant states that the working capital needs of the project will be funded, as shown in the table below.

Sources of Financing for Working Capital	Amount
Loans	\$
Cash or Cash Equivalents, Accumulated Reserves or Owner's Equity	\$467,531
Lines of credit	\$
Bonds	\$
Total *	\$467,531

However, as shown on page 54, the applicant identified the total working capital as either \$3,617,332 [\$1,559,500 in start-up costs + \$2,057,832 in initial operating costs = \$3,617,332], or \$467,531 as stated on page 54 and in the table on page 55.

Therefore, in one scenario, the total amount of funding needed for the project is \$15,896,273 [\$12,278,940 in capital costs + 3,617,332 in working capital = \$15,896,272].

However, the applicant does not adequately demonstrate availability of sufficient funds for the capital and working capital needs of the project based on the following:

- Exhibit 21 (page 96 of the Exhibits) contains a letter dated October 15, 2021 from the Sr. Vice President of Providence Bank documenting a loan for the proposed project up to \$10.0 million.
- The applicants for the proposed project are The Beaufort Community, LLC and Beaufort AL Properties, LLC.
- The loan would be to Healthview Capital Partners, not to either of the stated applicants.
- Exhibit 22 (page 97 of the Exhibits) contains a letter dated October 13, 2021 from C. Saunders Roberson, Jr. stating “we are willing to utilize our personal resources to fund the project. Assets are currently on hand and will be made available to this project in the event that they are needed.”
- In Section F.2.c. that applicant states “SEE EXHIBIT 23 FOR THE BALANCE SHEET OF SRJR, LLC (SOLE OWNER OF HEALTHVIEW CAPITAL PARTNERS FUND I.”
- Exhibit 23 (pages 98-99 of the Exhibits) contains a document entitled “SRJR Enterprises LLC Balance Sheet as of September 30, 2021”. This balance sheet is not audited nor is it verified in any manner by a third party such as an accountant, financial advisor or bank. The balance sheet shows current assets, bank accounts, totaling \$3,124,131.
- Combined, the bank loan and the current assets, bank accounts, from the balance sheet total \$13,124,131 [\$10,000,000 + \$3,124,131 = \$13,124,131] which is \$2,772,142 less

than the \$15,896,273 in capital costs and working capital identified by the applicant as needed for the proposed project.

- Furthermore, there is no indication in the application (as is necessary) as to the relationship of the applicants to either Healthview Capital Partners or to C. Saunders Roberson, Jr.. In addition, there is no documentation of C. Saunders Roberson, Jr. relationship with either Healthview Capital Partners or SRJR Enterprises LLC nor his authority to commit funds on behalf of either entity.

Financial Feasibility

The applicant provided pro forma financial statements for the first three full fiscal years of operation following completion of the project. In Form F.2b, the applicant projects that revenues will exceed operating expenses in the second and third full fiscal years following completion of the project, as shown in the table below.

	1st Full Fiscal Year	2nd Full Fiscal Year	3rd Full Fiscal Year
Total Patient Days	16,438	32,485	32,485
Total Gross Revenues (Charges)	\$1,581,301	\$3,126,996	\$3,126,996
Total Net Revenue	\$1,581,301	\$3,126,996	\$3,126,996
Average Net Revenue per Patient Day	\$97	\$96	\$96
Total Operating Expenses (Costs)	\$2,167,569	\$2,753,345	\$2,819,070
Average Operating Expense per Patient Day	\$132	\$85	\$87
Net Income	(\$586,268)	\$373,651	\$307,926

The assumptions used by the applicant in preparation of the pro forma financial statements are provided in Form C.1b, Form F.2b, Form F.3b, Form F.4 and Form H. However, the applicant does not adequately demonstrate that the financial feasibility of the proposal is reasonable and adequately supported based on the following:

- Projected revenues are not based on reasonable and adequately supported assumptions. Form F.2b Projected Revenues and Net Income upon Project Completion shows Patient Services Gross Revenue as being derived from three payor sources: Insurance, Medicare and Medicaid. This is inconsistent with the statement in Section L, page 75, which identifies the payor sources as self-pay and Medicaid. Furthermore, Form F.2b, in calculating total net revenue, shows no contractual adjustments and no bad debt, which is not reasonable.
- Projected operating expenses are not based on reasonable and adequately supported assumptions. Form C.1b shows the projected number of patient days increasing by 13,536 days from the first operating year (CY2023) to the second operating year and then staying the same from OY2 to OY3. In addition, Form H shows the number of FTEs increasing from 33 in OY1 to 40 in OY2, a net increase of 7 FTEs. However, despite the increase in the number of patient days and the number of FTEs the applicant's projected expenses for training, travel reimbursement, other supplies and utilities in OY1 were the same in OY2, which is not reasonable. In addition, Form F.3b contains an expense line for rental expense which is both unexplained and shows no increase from OY1 to OY2. Form F.3b also

contains an expense line for “management fees” while Form H Staffing has an FTE entitled Administrator/CEO for \$110,000 per year. The application did not identify the existence of a management company for the proposed facility. In Section I, page 62, the applicant states “*Facility management and administration will be provided internally.*”

- Projected utilization is not based on reasonable and adequately supported assumptions. See the discussion regarding projected utilization in Criterion (3) which is incorporated herein by reference. Therefore, projected revenues and operating expenses, which are based in part on projected utilization, are also questionable.

Conclusion

The Agency reviewed the:

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

Based on that review, the Agency concludes that the application is not conforming to this criterion for the following reasons:

- The applicant does not adequately demonstrate that the working capital costs are based on reasonable and adequately supported assumptions for all the reasons described above.
 - The applicant does not adequately demonstrate availability of sufficient funds for the capital and working capital needs of the proposal for all the reasons described above.
 - The applicant does not adequately demonstrate sufficient funds for the operating needs of the proposal and that the financial feasibility of the proposal is based upon reasonable projections of revenues and operating expenses for all the reasons described above.
- (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 develop a new 84-bed ACH facility, including 16 special care unit (SCU) beds, in Beaufort County by relocating 50 ACH beds acquired via a Transfer for Good Cause of Project ID# Q-7117-04 (develop a 50 bed ACH) and Project ID# Q-8386-09 (COR for Project ID# Q-7117-04), and by relocating 34 ACH beds from Willow Manor.

On page 175, the 2021 SMFP defines the service area for ACH beds as “*the county in which the adult care home bed is located.*” The proposed ACH facility and the existing facility from which the ACH beds are to be relocated are both located in Beaufort County. Thus, the service area for this project is Beaufort County. Facilities may also serve residents of counties not included in their service area.

Table 11A of the 2021 SMFP indicates that there is currently a total of seven facilities (existing and approved) in Beaufort County with licensed or approved ACH beds. The table below is a

summary of those facilities in Beaufort County, from the 2021 SMFP, Chapter 11, Tables 11A and 11C. There is a projected surplus of 100 ACH beds in 2024 for Beaufort County.

2021 ACH INVENTORY AND 2024 NEED PROJECTIONS FOR BEAUFORT COUNTY	
# ACH Facilities	7
# Beds in ACH Facilities	157
# Beds in Nursing Facilities	10
Total Licensed Beds	167
# CON Approved Beds (License Pending) including CON Bed Transfer	50
Total # Available	217
Total # in Planning Inventory	217
Projected Bed Utilization Summary	117
Projected Bed Surplus (Deficit)	100

In Section C, pages 31 and 34, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved adult care home services in Beaufort County. The applicant states:

“Willow Manor is approved for 34 beds and is licensed but not currently operational.

AG Dunston has an approved CON for 50 beds but the project is undeveloped. [See page 31]

The beds in this application represent 84 of the beds in the current inventory and they are not in use at this time.

We are not proposing to add or deplete beds- our goal is to place beds in inventory into use for the underserved. [See page 34]”

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

- The proposal would not result in an increase in the inventory of ACH beds in Beaufort County.
- The applicant adequately demonstrates that the proposed project is comprised of both existing licensed ACH beds and approved, but undeveloped, ACH beds all from other locations in Beaufort County.

Conclusion

The Agency reviewed the:

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

Based on that review, the Agency concludes that the application is conforming to this criterion for all the reasons described 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 develop a new 84-bed ACH facility, including 16 special care unit (SCU) beds, in Beaufort County by relocating 50 ACH beds acquired via a Transfer for Good Cause of Project ID# Q-7117-04 (develop a 50 bed ACH) and Project ID# Q-8386-09 (COR for Project ID# Q-7117-04), and by relocating 34 ACH beds from Willow Manor.

In Section Q Form H, the applicant provides projected full-time equivalent (FTE) positions for the proposed services, as illustrated in the following table.

**Projected FTE Positions
 The Beaufort Community**

Position	1st Full FY	2nd Full FY	3rd Full FY
Registered Nurses	3	3	3
Licensed Practical Nurses	6	9	9
Certified Nurse Aides/Nursing Assistants	9	12	12
Director of Nursing	1	1	1
Assistant Director of Nursing	0	0	1
MDS Nurse	1	1	1
Alzheimer's Coordinator	1	1	1
Dieticians	1	1	1
Cooks	2	2	2
Dietary Aides	2	2	2
Social Workers	1	2	2
Activities Director	1	1	1
Medical Records	1	1	1
Maintenance/Engineering	1	1	1
Administer/CEO	1	1	1
Business Office	1	1	1
Clerical	1	1	1
Total	33	40	41

Adequate operating expenses for the health manpower and management positions proposed by the applicant are budgeted in Form F.3b. In Section Q, Form H, the applicant provided the assumption and methodology used to project staffing. In Section I, page 63, the applicant describes the methods *to be used* to recruit or fill new positions and its proposed training and continuing education programs.

The applicant does adequately demonstrate the availability of sufficient health manpower and management personnel to provide the proposed services based on the following:

- The applicant did provide the assumption and methodology used to project staffing.
- The applicant did describe the methods to be used to recruit or fill new positions and its proposed training and continuing education programs.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

The applicant proposes to develop a new 84-bed ACH facility, including 16 special care unit (SCU) beds, in Beaufort County by relocating 50 ACH beds acquired via a Transfer for Good Cause of Project ID# Q-7117-04 (develop a 50 bed ACH) and Project ID# Q-8386-09 (COR for Project ID# Q-7117-04), and by relocating 34 ACH beds from Willow Manor.

Ancillary and Support Services

In Section I, page 62, the applicant identifies the necessary ancillary and support services for the proposed services. On pages 62-63, the applicant explains how each ancillary and support service is or will be made available and provides supporting documentation in Exhibits 2,3,4,5,6,7 and 17.

The applicant adequately demonstrates that the necessary ancillary and support services will be made available based on the following:

- The applicant identifies the necessary ancillary and support services for ACH patients located in or near Beaufort County and how these will be made available.

Coordination

In Section C, pages 34-36, and in Section I, page 63, the applicant describes its efforts to develop relationships with other local health care and social service providers and provides supporting documentation in the supporting Exhibits 2, 3, 4, 5, 6, 17, 18 and 19. The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system based on the following:

- The applicant sent letters of information to every church, health service provider and physician in the County.
- The applicant visited the community on multiple occasions and have letters from local providers agreeing to work with the proposed facility.

Conclusion

The Agency reviewed the:

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

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

- (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.

NC

The applicant proposes to develop a new 84-bed ACH facility, including 16 special care unit (SCU) beds, in Beaufort County by relocating 50 ACH beds acquired via a Transfer for Good Cause of Project ID# Q-7117-04 (develop a 50 bed ACH) and Project ID# Q-8386-09 (COR for Project ID# Q-7117-04), and by relocating 34 ACH beds from Willow Manor.

In Section K, page 66, the applicant states that the project involves constructing 47,608 square feet of new space. Line drawings are provided in Exhibit 8, page 18 of the Exhibits.

On page 67, and in Exhibits 10 and 11, pages 20-23 of the Exhibits, the applicant identifies several potential sites. However, the applicant fails to adequately document that the site is suitable for the proposed adult care home facility based on the following:

- the applicant did not provide information as to whether the proposed project was permitted in that zoning district or required either a change of zone or a special use permit.
- The applicant did not document the availability of water, power, sewer and waste disposal at the site.

On page 67, the applicant adequately explains how the cost, design and means of construction represent the most reasonable alternative for the proposal based on the following:

- There is no existing facility that can be utilized.
- The applicant's architect will be assisting in meeting the proposed timetable for facility construction and in competitive bidding of the project.

- The construction documents for the proposed facility will be prepared by a licensed architect to comply with all applicable state, federal and local construction codes based on building type and proposed use.
- The existing Willow Manor, from which 34 of the 84 beds are being relocated, is described by the applicant as *“The small facility is very old construction with poor systems, lighting, and physical plant. Eakes Investment Group owns the small facility but has no desire to operate it moving forward.”*

On page 67, the applicant adequately explains why the proposal will not unduly increase the costs to the applicant of providing the proposed services or the costs and charges to the public for the proposed services based on the following:

- The facility will be comprised of previously approved CON projects involving both existing licensed beds as well as approved but undeveloped ACH beds
- Thirty-four of the ACH beds are being relocated from Willow Manor. These ACH beds are currently not serving residents. See Section A., page 20, and the 2021 license renewal application (LRA) for Willow Manor.

In Section B, page 30 and Exhibit 1, the applicant identifies any applicable energy saving features that will be incorporated into the construction plans and provides supporting documentation in Exhibit 1.

Conclusion

The Agency reviewed the:

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

Based on that review, the Agency concludes that the application is not conforming to this criterion for all the reasons described 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 ... persons [with disabilities], 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;

Neither the applicant nor any related entities own, operate or manage an existing health service facility located in the service area. Therefore, Criterion (13a) is not applicable to this review.

- (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 persons with disabilities to programs receiving federal assistance, including the existence of any civil rights access complaints against the applicant;

NA

Neither the applicant nor any related entities own, operate or manage an existing health service facility located in the service area. Therefore, Criterion (13b) is not applicable to this review.

- (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

NC

In Section L, page 75, the applicant projects the following payor mix for the proposed services during the third full fiscal year of operation following completion of the project, as shown in the table below.

Payor Category	Percentage of Total Patients Served
Self-Pay	40%
Medicaid	60%
Total	100%

Source: Table on page 75 of the application.

As shown in the table above, during the third full fiscal year of operation, the applicant projects that 40% of total services will be provided to self-pay patients and 60% to Medicaid patients. However, the applicant does not provide any of the assumptions and methodology used to project payor mix. Furthermore, the projected payor mix in Section Q, Form F.2b, shows a projected revenue as including Medicare and Insurance which are not included in the table above. In addition, Form F.2b does not show any projected revenue from self-pay, which is identified as the payor source of 40% of the total patients served as shown in the table above.

The projected payor mix is not reasonable and adequately supported.

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is not conforming to this criterion based on the reasons stated above.

- (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.

NC

Section L of the application form requests that the applicant indicate the means by which a person will have access to the facility's services (e.g., physician referral, self-admission, etc.). However, the applicant failed to indicate the means by which a patient will have access to the proposed services.

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is not conforming to this criterion based on the reasons stated above.

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

NC

The applicant proposes to develop a new 84-bed ACH facility, including 16 special care unit (SCU) beds, in Beaufort County by relocating 50 ACH beds acquired via a Transfer for Good Cause of Project ID# Q-7117-04 (develop a 50 bed ACH) and Project ID# Q-8386-09 (COR for Project ID# Q-7117-04), and by relocating 34 ACH beds from Willow Manor.

The applicant does not adequately demonstrate that health professional training programs in the area will have access to the facility for training purposes based on the following:

- The applicant did not identify nor document, in either the application or exhibits, any health professional training programs that would have access to the facility for training purposes.

Conclusion

The Agency reviewed the:

- Application

- Exhibits to the application

Based on that review, the Agency concludes that the application is not conforming to this criterion for all the reasons described above.

- (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.

NC

The applicant proposes to develop a new 84-bed ACH facility, including 16 special care unit (SCU) beds, in Beaufort County by relocating 50 ACH beds acquired via a Transfer for Good Cause of Project ID# Q-7117-04 (develop a 50 bed ACH) and Project ID# Q-8386-09 (COR for Project ID# Q-7117-04), and by relocating 34 ACH beds from Willow Manor.

On page 175, the 2021 SMFP defines the service area for ACH beds as “*the county in which the adult care home bed is located.*” The proposed ACH facility and the existing facility from which the ACH beds are to be relocated are both located in Beaufort County. Thus, the service area for this project is Beaufort County. Facilities may also serve residents of counties not included in their service area.

Table 11A of the 2021 SMFP indicates that there is currently a total of seven facilities (existing and approved) in Beaufort County with licensed or approved ACH beds. The table below is a summary of those facilities in Beaufort County, from the 2021 SMFP, Chapter 11, Tables 11A and 11C. There is a projected surplus of 100 ACH beds in 2024 for Beaufort County.

2021 ACH INVENTORY AND 2024 NEED PROJECTIONS FOR BEAUFORT COUNTY	
# ACH Facilities	7
# Beds in ACH Facilities	157
# Beds in Nursing Facilities	10
Total Licensed Beds	167
# CON Approved Beds (License Pending) including CON Bed Transfer	50
Total # Available	217
Total # in Planning Inventory	217
Projected Bed Utilization Summary	117
Projected Bed Surplus (Deficit)	100

The applicant does not adequately describe the expected effects of the proposed services on competition in the service area or adequately demonstrate the proposal would have a positive impact on cost-effectiveness, quality, and access because the applicant does not adequately demonstrate that:

- 1) The proposal is cost effective because the applicant did not adequately demonstrate that projected revenues and operating costs are reasonable. See discussion in Criterion 5.
- 2) Quality care would be provided based on the applicant's record of providing care in the past. The applicant does not provide documents detailing on training, on-going quality control measures, proposed written facility policies, history of the management team in managing this type of facility, certifications either for the management team and/or proposed certifications for the facility such as with industry adult care home organizations.
- 3) Medically underserved groups will have access to the proposed services based on the applicant does not adequately describe the extent to which all residents of the service area, including underserved groups, are likely to have access to the proposed services based on the following:
 - The applicant provides no basis in terms of documentation, assumptions, or methodology for the estimate for each medically underserved group it proposes to serve. See discussion in Criterion 3.
 - The applicant provides contradictory information as to the payor sources for the proposed project.

Conclusion

The Agency reviewed the:

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

Based on that review, the Agency concludes that the application is not conforming to this criterion based on all the reasons described 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.

NA

Neither the applicant nor any related entities own, operate, or manage an existing health service facility located in North Carolina. Therefore, Criterion (20) is not applicable to this review.

- (21) Repealed effective July 1, 1987.

G.S. 131E-183 (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 application is relocating both approved but undeveloped and existing ACH beds within the same county; therefore, the Criteria and Standards for Nursing Facility or Adult Care Home Services are not applicable.