

REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conforming as Conditioned

NC = Nonconforming

NA = Not Applicable

Decision Date: October 26, 2023

Findings Date: October 26, 2023

Project Analyst: Crystal Kearney

Co-Signer: Mike McKillip

Project ID #: P-12411-23

Facility: The Landings at Topsail Shores

FID #: 230628

County: Onslow

Applicants: Onslow Opco, LLC
Onslow Propco, LLC

Project: Develop a new 40-bed ACH facility by relocating no more than 40 ACH beds from Onslow House

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

Onslow Opco, LLC and Onslow Propco, LLC (hereinafter collectively referred to as “the applicant”), proposes to develop a new 40-bed ACH facility by relocating no more than 40 ACH beds from Onslow House.

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 2023 State Medical Facilities Plan (SMFP). Therefore, there are no need determinations applicable to this review.

Policies

There is one policy in the 2022 SMFP which is applicable to this review: Policy **GEN-4: Energy Efficiency and Sustainability for Health Service Facilities**, on page 30 of the 2023 SMFP states:

“Any person proposing a capital expenditure greater than \$4 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 dollars. In Section B, page 25, the applicant describes its plan to assure maximum energy efficiency. The applicant lists numerous features it plans to include, such as cost effective with no elevators required, 7-day programmable thermostats in public areas and energy recovery ventilators, natural gas or propane with all piping insulated and will utilize recirculating pumps to maintain constant hot water temperatures, LED light fixtures, and latest – generation emergency generator.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

- The project is not based on a need determination in the 2023 SMFP.
- The applicant adequately demonstrates that the proposal is consistent with Policy GEN-4 because they adequately describe how they will 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.

C

The applicant proposes to develop a new 40-bed ACH facility by relocating no more than 40 ACH beds from Onslow House.

Patient Origin

On page 171, the 2023 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 Onslow County. Thus, the service area for this project is Onslow County. Facilities may also serve residents of counties not included in their service area.

This proposal is to develop The Landings at Topsail Shores, a new 40-bed ACH facility in Onslow County; therefore, historical patient data for this facility does not exist. In Section C, page 29, the applicant states the facility from which the ACH beds are proposed to be relocated has not served patients since September 2018.

On page 31, the applicant projects the patient origin at The Landings at Topsail Shores for the first three full fiscal years (FY), following project completion, as summarized below:

COUNTY	1 ST FULL FY 8/1/2032 - 7/31/2033		2 ND FULL FY 8/1/2033 - 7/31/2034		3 RD FULL FY 8/1/2034 - 7/31/2035	
	# PTS.	% OF TOTAL	# PTS.	% OF TOTAL	# PTS.	% OF TOTAL
Carteret	2	8.33%	4	10.8%	4	10.8%
Craven	1	4.1%	1	2.70%	1	2.70%
New Hanover	1	4.17%	1	2.70%	1	2.70%
Onslow	18	75.0%	27	73.0%	27	73.0%
Other	2	8.33%	4	10.8%	4	10.8%
Total	24	100%	37	100%	37	100%

In Section C, pages 30-37, the applicant provides the assumptions and methodology used to project its patient origin. The applicant’s assumptions are reasonable and adequately supported based on the following:

- The applicants assume the majority of the residents will be residents of the county in which the facility is located.
- The applicant examined historical patient origin for ACH facilities in Onslow County and accounted for counties bordering Onslow County whose residents have sought ACH placement in Onslow County.

Analysis of Need

In Section C, page 38, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, as summarized below:

- All 120 of the ACH beds currently licensed at Onslow House are in the planning inventory for ACH beds in Onslow County in the 2023 SMFP. This Project would bring more

sustainable, safe, and attractive ACH beds in Onslow County. The Project will develop The Landings at Topsail Shores and transform Onslow House into a sustainable, comfortable option for Onslow County residents in need of ACH placement.

- The applicant states that this statistic does not capture the actual need for ACH beds in Onslow County—especially for attractive and affordable beds in a smaller, home-like, and affordable care setting.
- The applicant states that the need for ACH bed placement options in Onslow County will become increasingly acute as the senior populations, and especially those aged 75 and up, grow rapidly in the future.
- The applicant states that this need for beds in ACH settings will be exacerbated by the growing imbalance between dependent populations needing care and the working population in Onslow County.
- Creating an affordable, well-utilized, high-quality ACH in Onslow County through completion of this Project is an effective and efficient way to help meet the current and future needs of Onslow County’s residents, especially for traditionally underserved populations such as Medicaid and Special Assistance beneficiaries.

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

- The applicant proposes to relocate 40 unutilized ACH beds from Onslow House in Onslow County, to create The Landings at Topsail Shores, a 40 ACH bed facility in Sneads Ferry. The remaining 80 ACH beds associated with Onslow House will remain at Onslow House, which will be able to offer 80 private rooms.
- The applicant provides information to demonstrate relocating 40 of Onslow House’s 120 ACH beds to The Landings at Topsails Shores will allow both facilities to more efficiently and effectively meet current and future demand.

Projected Utilization

In Section Q, Form C.1b, the applicant provides projected utilization, as illustrated in the following table.

The Landings at Topsail Shores Projected Utilization

	1st Full FY 8/1/32- 7/31/33	2nd Full FY 8/1/33- 7/31/34	3rd Full FY 8/1/34- 7/31/35
Total # ACH Beds	40	40	40
# of Admissions or Discharges	37	0	0
# of Patient Days	8,687	13,578	13,578
Average Length of Stay	234	300	300
Occupancy Rate	59.5%	93.0%	93.0%

Source: Section Q, page 111.

As shown in the table above, the applicant projects the 40 total ACH beds will operate at 93.0% of capacity [13,578 days / (365 days per year X 40 beds) = 0.93] in the second year of operation. The applicant provides the assumptions and methodology used to project utilization, which is summarized below.

- The applicant projected a fill rate for The Landings at Topsail Shores based on the actual fill rate of The Landings of Swansboro in Swansboro, which is a similar facility.

- The applicant selected six ACHs that are most similar to The Landings at Topsail Shores based on the local ACH market, location, ACH size, and other factors.
- For each of the six selected ACHs, the number of move-outs during a given month at a given ACH was subtracted from the total number of move-ins during the same month at that ACH, yielding a net move-in value for that month.
- The applicant averaged all of the net move-ins values for all six new ACHs up to the point that each ACH reached a census of 37 residents, which is the projected stable census of The Landings at Topsail Shores.
- The six selected ACHs filled to a census of 37 residents at an average rate of 4.4 net move-ins per month.
- Projected utilization is reasonable and adequately supported because it is based on the experience of other similar facilities in comparable markets.

Access to Medically Underserved Groups

On page 56, the applicant states,

“All persons will be admitted to The Landings at Topsail Shores upon the written order of a physician without regard to their race, color, creed, age, national origin, disability, sex, or source of payment. The Applicants expect The Landings at Topsail Shores to serve members of most underserved groups at rates similar to or greater than those at which members of these groups appear in Onslow County, to the extent that members of each group qualify for ACH bed placement.”

The applicant provides the estimated percentage for each medically underserved group, as shown in the following table from page 57:

MEDICALLY UNDERSERVED GROUPS	PERCENTAGE OF TOTAL PATIENTS
Low-income persons	15%
Racial and ethnic minorities	24%
Women	67%
Persons with Disabilities	100%
Persons 65 and older	80%
Medicare beneficiaries	Not Applicable. ACHs do not accept Medicare
Medicaid recipients	15%

The applicant adequately describes 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 an estimate for each medically underserved group it proposes to serve.
- The applicant provides written statements about providing access to all residents of the service area, including each of the underserved groups.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

Based on the review, the Agency concludes that the application is 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 relocate no more than 40 ACH beds from Onslow House, to develop a new facility, The Landings of Topsail Shores, in Onslow County. Following the proposed relocation of 40 ACH beds, Onslow House will be licensed for 80 ACH beds.

In Section D, page 63, 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. On page 63, the applicant states:

“With only 80 ACH beds, Onslow House will be able to achieve greater operational and financial efficiencies. If it were to offer all 120 of its licensed ACH beds to residents, Onslow House would only be able to offer 40 of its 80 rooms as private rooms and the other 40 as semi-private, double-occupancy rooms. The proposed Project involves relocating 40 ACH beds from Onslow House to The Landings at Topsail Shores. By relocating those 40 ACH beds, the proposed Project will enable Onslow House to offer all of its licensed beds to residents while also maximizing the utilization of those beds by offering them all in private rooms. This will provide Onslow County residents with great new choices without the expense and further disruption of expansion of the existing building. As a result, the Applicants firmly believe that the Project will increase the financial sustainability and stability of Onslow House, both of which are critical to resident comfort and wellbeing and the provision of quality care....”

Finally, it is important to note that Onslow House has not been operational since September 2018, or almost five years as of the submission of this Application. As such, no residents have been served by Onslow House, and Onslow House’s ACH beds have not been available to the public nor utilized. The proposed relocation, therefore, has no impact on any ongoing resident services at Onslow House since there are no Onslow House residents at this time.”

The information is reasonable and adequately supported based on 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.

Access to Medically Underserved Groups

In Section D, page 64, the applicant states,

“Otherwise, all persons will be admitted to the facility without regard to their actual or perceived race, color, creed, age, national origin, disability, sex, or source of payment. The Applicants propose to reserve six (or 15%) of 40 ACH beds at The Landings at Topsail Shores for residents receiving Medicaid/Special Assistance and to continue offering abundant Medicaid/Special Assistance ACH beds at Onslow House.”

The applicant adequately demonstrates that the needs of medically underserved groups that currently use ACH beds that will be relocated to The Landings at Topsail Shores will be adequately met following completion of the project for the following reasons:

- The applicant proposes to relocate the ACH beds within the same county.
- The applicant proposes to allow admission only on the written order of a physician.
- The applicant proposes that The Landings at Topsail Shores will provide, and Onslow House will continue to provide excellent service to their many residents who are members of underprivileged or minority groups that are traditionally underserved.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

- The applicant adequately demonstrates that the needs of the population who need the services to be 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.

CA

The applicant proposes to develop a new 40-bed ACH facility by relocating no more than 40 ACH beds from Onslow House.

In Section E, page 67, the applicant describes the alternatives it considered and explains why each alternative is either more costly or less effective than the alternative proposed in this application. The alternatives considered were:

- Preserve the status quo by leaving the 40 ACH beds at Onslow House in semi-private rooms.
- Expand Onslow House with an addition of 40 private resident rooms.
- Relocate the 40 ACH beds to another existing Onslow County ACH.
- Relocate 60 ACH beds from Onslow House to The Landings at Topsail Shores.
- Relocate all 120 ACH beds from Onslow House to two new ACHs.

The applicant adequately demonstrates that the alternative proposed in this application is the most effective alternative to meet the need.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is conforming to this criterion for the reasons stated above. Therefore, the application is approved subject to the following conditions:

- 1. Onslow Opco, LLC and Onslow Propco, LLC, (hereinafter collectively the certificate holder) shall materially comply with all representations made in the certificate of need application.**
- 2. The certificate holder shall develop a new 40-bed ACH facility in Sneads Ferry (Onslow County) by relocating 40 ACH beds from Onslow House in Jacksonville (Onslow County).**
- 3. Upon completion of the project, The Landings at Topsail Shores shall be licensed for no more than 40 ACH beds and Onslow House shall be licensed for no more than 80 ACH beds.**
- 4. The certificate holder shall certify the percentage of the total number of licensed adult care home beds in the facility for recipients of State/County Special Assistance with Medicaid commensurate with representations made in the application.**
- 5. Progress Reports:**
 - a. Pursuant to G.S. 131E-189(a), the certificate holder shall submit periodic progress reports on the progress being made to develop the project consistent with the timetable and representations made in the application on the Progress Report form provided by the Healthcare Planning and Certificate of Need Section. The form is available online at: <https://info.ncdhhs.gov/dhsr/coneed/progressreport.html>.**
 - b. The certificate holder shall complete all sections of the Progress Report Form.**

- c. **The certificate holder shall describe in detail all steps taken to develop the project since the last progress report and should include documentation to substantiate each step taken as available.**
 - d. **The first progress report shall be due on May 1, 2024.**
6. **The certificate holder shall not acquire as part of this project any equipment that is not included in the project’s proposed capital expenditures in Section Q of the application and that would otherwise require a certificate of need application.**
 7. **The certificate holder 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 develop a new 40-bed ACH facility by relocating no more than 40 ACH beds from Onslow House.

Capital and Working Capital Costs

In Section Q, Form F.1a, page 118, the applicant projects the total capital cost of the project as shown in the table below.

Capital Cost	Onslow Opco, LLC	Onslow Propco, LLC	Total
Purchase Price of Land		\$1,000,000	\$1,000,000
Closing Costs		\$250,000	\$250,000
Site Preparation		\$1,250,000	\$1,250,000
Construction/Renovation Contract(s)		\$6,000,000	\$6,000,000
Landscaping		\$200,000	\$200,000
Architect/Engineering Fees		\$0	\$0
Medical Equipment		\$0	\$0
Non Medical Equipment		\$0	\$0
Furniture		\$650,000	\$650,000
Consultant Fees		\$0	\$0
Financing Costs		\$250,000	\$250,000
Interest during Construction		\$1,144,633	\$1,144,63
Other		\$0	\$0
Total Capital Cost	Not Applicable	\$10,744,633	\$10,744,633

In Section Q, “Assumptions and Methodology for Form F.1a”, page 118, the applicant provides the assumptions used to project the capital cost. The applicant adequately demonstrates that the projected capital cost is based on reasonable and adequately supported assumptions based on the following:

- Construction costs, site preparation, and architect/engineer fees are based on estimates from the project architect.
- Other project costs are based on ALG Senior’s experience in developing similar facilities in the state.

In Section F, page 74, the applicant projects that start-up costs will be \$135,500 and initial operating expenses will be \$815,249 for a total working capital of \$950,749. On page 119, the applicant provides the assumptions and methodology used to project the working capital needs of the project. The applicant adequately demonstrates that the projected working capital needs of the project are based on reasonable and adequately supported assumptions because it is based on the applicant’s experience with similar projects and facilities.

Availability of Funds

In Section F.2., page 72, the applicant states that the capital cost will be funded as shown in the table below:

SOURCES OF FINANCING FOR CAPITAL COST	AMOUNT
Loans	\$10,744.633
Cash or Cash Equivalents, Accumulated Reserves or Owner’s Equity	\$0
Lines of credit	\$0
Bonds	\$0
Total	\$10,744,633

In Section F, page 64, the applicant states the capital costs for the project will be incurred by Onslow Propco II, LLC, the property company applicant. In Exhibit F.2, page 165, the applicant provides a July 11, 2023 letter signed by the managing director of Locust Point Capital that confirms the finance company’s willingness to provide financing in the amount of \$10,744,633 for the capital needs of the project.

In Section F.3, page 75, the applicant states that the working capital will be funded as shown in the table below:

SOURCES OF FINANCING FOR WORKING CAPITAL	AMOUNT
Loans	\$950,749
Cash or Cash Equivalents, Accumulated Reserves or Owner’s Equity	\$0
Lines of credit	\$0
Bonds	\$0
Total	\$950,749

In Section F, page 72, the applicant states the working capital costs for the project will be financed with a loan to Onslow Opco, LLC. In Exhibit F.3, page 177, the applicant provides a July 11, 2023 letter signed by the managing director of Locust Point Capital that confirms the finance company’s willingness to provide financing in the amount of \$950,749 for the working capital needs of the project.

The applicant adequately demonstrates the availability of sufficient funds for the capital and working capital needs of the project because the applicant provides documentation from a finance company that confirms the company’s willingness to provide full financing for the capital and working capital needs of the project.

Financial Feasibility

The applicant provided pro forma financial statements for the first three full fiscal years of operation following completion of the project. In Forms 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 FY 08/01/2032- 07/31/2033	2ND FULL FY 08/01/2033- 07/31/2034	3RD FULL FY 08/01/2034 - 07/31/2035
Total Patient Days	8,687	13,578	13,578
Total Gross Revenues (Charges)	\$1,837,360	\$3,002,634	\$3,142,078
Total Net Revenue	\$1,818,986	\$2,972,607	\$3,110,657
Average Net Revenue per Patient Day	\$209	\$219	\$229
Total Operating Expenses (Costs)	\$2,623,926	\$2,865,094	\$2,917,863
Average Operating Expense per Patient Day	\$302	\$211	\$215
Net Income	(\$804,940)	\$107,513	\$192,794

Totals may not sum due to rounding

The assumptions used by the applicant in preparation of the pro forma financial statements are provided in Section Q. The applicant adequately demonstrates that the financial feasibility of the proposal is reasonable and adequately supported based on the following:

- The applicant accounts for projected operating expenses consistent with projections elsewhere in the application.
- The applicant accounts for projected revenues consistent with projections elsewhere in the application.
- Projected utilization is based on reasonable and adequately supported assumptions. See the discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

- The applicant adequately demonstrates that the capital and working capital costs are based on reasonable and adequately supported assumptions for all the reasons described above.
 - The applicant adequately demonstrates availability of sufficient funds for the capital and working capital needs of the proposal for all the reasons described above.
 - 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 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 40-bed ACH facility by relocating no more than 40 ACH beds from Onslow House.

On page 171, the 2022 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 Onslow County. Thus, the service area for this project is Onslow County. Facilities may also serve residents of counties not included in their service area.

Table 11A of the 2023 SMFP, page 193 indicates that there are currently a total of 7 facilities in Onslow County with a total of 431 licensed ACH beds.

Existing ACH Beds in Onslow County (2023 SMFP)

Name of the Facility	ACH Beds
Kempton of Jacksonville	79
Lighthouse Village	80
Onslow House *	120
The Arc Community	32
The Heritage of Richlands	40
The Landings of Swansboro	80
Total	431

*This facility has been closed since September 2018

In Section G, pages 81-82, the applicant explains why it believes its proposal would not result in any unnecessary duplication of existing or approved ACH services in Onslow County. The applicant states:

“The Applicants’ proposed relocation of 40 ACH beds from Onslow House to The Landings at Topsail Shores within Onslow County will not result in the unnecessary duplication of ACH services in Onslow County. This Application proposes not to duplicate ACH beds but to relocate 40 ACH beds from Onslow House, where they have not been utilized and will continue to be unutilized when the facility reopens in 2023. The Project will ensure that two ACHs, one existing in Jacksonville and

one proposed to be built in Sneads Ferry, will be better able to meet future market demands with minimal disruption to the lives of current ACH residents. This will be accomplished without duplicating any existing or approved ACH beds.”

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

- The proposal would not result in an increase in the inventory of ACH beds in Onslow County.
- The applicant adequately demonstrates that the proposed project is needed. The discussions regarding analysis of need, including projected utilization and access in Criteria (3) are incorporated herein by reference.

Conclusion

The Agency reviewed the:

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

Based on that review, the Agency concludes that the application is conforming to this criterion for 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 40-bed ACH facility by relocating no more than 40 ACH beds from Onslow House.

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

The Landings of Topsail Shores Projected FTE Positions

POSITION	1 ST FULL FY	2 ND FULL FY	3 RD FULL FY
Registered Nurses	0.5	0.5	0.5
Certified Nurse Aides/Nursing Assistants	9.1	9.8	9.8
Staff Development Coordinator	1.0	1.0	1.0
Cooks	4.8	5.1	5.1
Activities Director	0.8	1.0	1.0
Laundry & Linen	0.6	0.6	0.6
Housekeeping	2.0	2.1	2.1
Maintenance/Engineering	0.8	0.9	0.9
Administrator/CEO	1.0	1.0	1.0
Business Office	1.3	1.4	1.4
Other (Transportation)	0.6	0.9	0.9
Total	22.4	24.3	24.3

The assumptions and methodology used to project staffing are provided in Section Q, page 127. Adequate operating expenses for the health manpower and management positions proposed by the applicant are budgeted in Form F.3b. In Section H, pages, 83-84, the applicant describes the methods used to recruit or fill new positions and its existing training and continuing education programs.

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

- The applicant projects the number of FTE positions necessary to accommodate the proposed relocation of ACH beds to develop The Landings of Topsail Shores.
- The methods used to recruit or fill new positions and the proposed methods for providing training and education programs are provided.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

- (8) The applicant shall demonstrate that the provider of the proposed services will make available, or otherwise make arrangements for, the provision of the necessary ancillary and support services. The applicant shall also demonstrate that the proposed service will be coordinated with the existing health care system.

The applicant proposes to develop a new 40-bed ACH facility by relocating no more than 40 ACH beds from Onslow House.

Ancillary and Support Services

In Section I, page 85, the applicant identifies the necessary ancillary and support services for the proposed services. On page 85, the applicant explains how each ancillary and support service is or will be made available and provides supporting documentation in Exhibit I.1.

The applicant adequately demonstrates that the necessary ancillary and support services will be made available because it is based on the experience of the applicant and ALG Senior LLC

Coordination

In Section I, page 86, the applicant describes its proposed relationships with other local health care and social service providers and provides supporting documentation in Exhibit I.1. The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system based on the following:

- The Landings at Topsail Shores, via its management agreement with ALG Senior, LLC, will have access to the same relationships with area healthcare and social service providers as the management company uses at its other facilities.
- In Exhibit I.1, the applicant provides copies of agreements with the community health care and ancillary service providers where ACH patients can receive appropriate referrals for necessary services and care related to their condition.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

NA

The applicant does not project to provide the proposed services to a substantial number of persons residing in Health Service Areas (HSAs) that are not adjacent to the HSA in which the services will be offered. Furthermore, the applicant does not project to provide the proposed

services to a substantial number of persons residing in other states that are not adjacent to the North Carolina county in which the services will be offered.

- (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

- (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 develop a new 40-bed ACH facility by relocating no more than 40 ACH beds from Onslow House.

In Section K.1, page 90, the applicant states that the project involves 17,887 square feet of new construction. Line drawings and a floor plan are provided in Exhibit K.1.

On pages 90-93, the applicant identifies the proposed site and provides information about the current owner, zoning and the availability of water, sewer and waste disposal and power at the site, and provides supporting documentation. The site is suitable for the proposed facility based on the applicant's representations and supporting documentation.

On pages 90-92 and in Exhibit K.3, the applicant adequately explains how the cost, design and means of construction represent the most reasonable alternative for the proposal based on the following:

- Supporting documentation from the project architect is provided in Exhibit K.3.

- The project architect confirms it will comply with all building codes and applicable regulations to develop the facility in a cost-effective manner.

On pages 91-92, 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 applicant states they have planned the project to offer services at an affordable middle market rate and offer Medicaid beds.
- The applicant states The Landings at Topsail Shores will serve Onslow County residents at affordable private payor rates by leveraging market advantages to maintain a high resident census.
- The applicant states The Landings at Topsail Shores will be a state-of-the-art ACH, a smaller, more home-like 40 bed ACH, the first Onslow County ACH south of Jacksonville, and in an idyllic location close to the coast in Sneads Ferry.

On page 92, the applicant identifies applicable energy saving features that will be incorporated into the construction plans.

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.

- (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;

C

In Section L, page 95, the applicant states there is no historical payor mix for The Landings at Topsail Shores because it is not an existing facility. However, in Section L, page 96, the

applicant provides the historical payor mix for Onslow House, the facility from which the proposed ACH beds will be relocated, during the last full operating year, as shown in the table below.

Onslow House Historical Payor Mix 8/1/17-7/31/18

PAYOR SOURCE	% OF TOTAL PATIENTS SERVED
Self-pay	30.8%
Medicaid	69.2%
Total	100.0%

In Section L, page 97, the applicant provides the following comparison based on the historical payor mix of Onslow House:

	Percentage of Total Patients Served by the Facility or Campus during the Last Full OY	Percentage of the Population in the Service Area*
Female	61.0%	44.3%
Male	39.0%	55.7%
Unknown	0.0%	0.0%
64 and Younger	32.2%	90.1%
65 and Older	67.8%	9.9%
American Indian	0.0%	1.1%
Asian	1.7%	2.2%
Black or African-American	15.3%	15.6%
Native Hawaiian or Pacific Islander	0.0%	0.3%
White or Caucasian	78.8%	76.1%
Other Race	1.7%	4.7%
Declined / Unavailable	2.5%	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.

The Agency reviewed the:

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

Based on that review, the Agency concludes that the applicant adequately documents 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. Therefore, the application is conforming to this criterion.

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

C

Regarding any obligation to provide uncompensated care, community service or access by minorities and persons with disabilities, in Section L.2, page 99, the applicant states it has no obligation to provide such care.

In Section L.2, page 97, the applicant states that there have been no patient civil rights equal access complaints filed in the 18 months immediately preceding the application deadline against Onslow House.

The Agency reviewed the:

- Application
- Exhibits to the application

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

- (c) That the elderly and the medically underserved groups identified in this subdivision will be served by the applicant's proposed services and the extent to which each of these groups is expected to utilize the proposed services; and

C

In Section L, page 98, the applicant projects the following payor mix during the third full fiscal year of operation following completion of the project, as illustrated in the following table.

**The Landings at Topsail Shores
Third Full Fiscal Year 8/1/2034-7/31/2035**

Payor Source	General ACH Beds
Self-Pay	85%
Medicaid	15%
Total	100%

As shown in the table above, during the third full fiscal year of operation, the applicant projects that 15.0% of total services will be provided to Medicaid patients. On page 98, the applicant provides the assumptions and methodology used to project payor mix during the third full fiscal year of operation following completion of the project. The

projected payor mix is reasonable and adequately supported because the applicant bases the projections on the historical experience of the applicant as an owner and operator of other ACH facilities in the area.

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

In Section L.5., page 99 the applicant adequately describes the range of means by which patients will have access to the proposed services.

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

In Section M.1, page 101, the applicant describes the extent to which area health professional training programs will have access to the facility for training purposes and provides supporting documentation in Exhibit M.1. The applicant demonstrates that health professional training programs in the area have access to the facility for training purposes based on the following:

- The applicant will continue to build collaborative relationships with local training programs.
- The applicant provides a copy of a correspondent with Coastal Carolina Community College and Craven Community College to request support in Exhibit M.1.

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the applicant adequately demonstrates that the proposed services will accommodate the needs of health professional training programs in the area; 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 develop a new 40-bed ACH facility by relocating no more than 40 ACH beds from Onslow House.

On page 171, the 2023 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 Onslow County. Thus, the service area for this project is Onslow County. Facilities may also serve residents of counties not included in their service area.

Table 11A of the 2023 SMFP, page 193 indicates that there are currently a total of 7 facilities in Onslow County with a total of 431 licensed ACH beds.

Existing ACH Beds in Onslow County (2023 SMFP)

Name of the Facility	ACH Beds
Kempton of Jacksonville	79
Lighthouse Village	80
Onslow House *	120
The Arc Community	32
The Heritage of Richlands	40
The Landings of Swansboro	80
Total	431

*This facility has been closed since September 2018

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 102, the applicant states:

“The Applicants expect that the relocation of these 40 ACH beds to a new facility will stimulate utilization of Onslow County ACH beds overall by providing excellent service and top-notch care at an affordable price that is both competitive and accessible to private payors while also being open to recipients of Medicaid.”

Regarding the impact of the proposal on cost effectiveness, in Section N, page 102, the applicant states:

“The proposed Project will offer competitive rates for private pay residents, allowing The Landings at Topsail Shores to reach excellent utilization.”

See also Sections C, F, and Q of the application and any exhibits.

Regarding the impact of the proposal on quality, in Section N, page 103, the applicant states:

“... the Applicants will develop the proposed project to the highest quality and care standards.”

See also Sections C, and O of the application and any exhibits.

Regarding the impact of the proposal on access by medically underserved groups, in Section N, page 104, the applicant states:

“... all persons will be admitted to the facility without regard to their actual or perceived race, color, creed, age, national origin, handicap, sex, or source of payment. The Applicants propose to reserve six of The Landings at Topsail Shores’ 40 ACH beds for residents receiving Medicaid/Special Assistance.”

See also Section L and C of the application and any exhibits.

The applicant adequately describes the expected effects of the proposed services on competition in the service area and adequately demonstrates the proposal would have a positive impact on cost-effectiveness, quality, and access because the applicant adequately demonstrates that:

- 1) The proposal is cost effective because the applicant adequately demonstrated: a) the need the population to be served has for the proposal; b) that the proposal would not result in an unnecessary duplication of existing and approved health services; and c) that projected revenues and operating costs are reasonable.
- 2) Quality care would be provided based on the applicant's representations about how it will ensure the quality of the proposed services and the applicant's record of providing quality care in the past.
- 3) Medically underserved groups will have access to the proposed services based on the applicant's representations about access by medically underserved groups and the projected payor mix.

Conclusion

The Agency reviewed the:

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

Based on that review, the Agency concludes that the application is conforming to this criterion based on 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 Q, Form O, the applicant identifies the ACH facilities located in North Carolina owned, operated or managed by the applicant or a related entity. The applicant identifies a total of 105 of this type of facility located in North Carolina.

In Exhibit O.7, the applicant provides documentation that 27 of the 110 facilities received some type of violation over the 18 month look back period. The applicant provides documentation in the same exhibit that all facilities are currently back in compliance with CMS Conditions of Participation. After reviewing and considering information provided by the applicant and considering the quality of care provided at all 110 facilities, the applicant provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

- (21) Repealed effective July 1, 1987.

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 applicant proposes to develop a new 40-bed ACH facility by relocating no more than 40 ACH beds from Onslow House. The Criteria and Standards for Nursing Facility or Adult Care Home Services, promulgated in 10A NCAC 14C .1100, do not apply to a proposal to relocate existing licensed adult care home beds. Therefore, this Criterion is not applicable.