

REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conforming as Conditioned

NC = Nonconforming

NA = Not Applicable

Decision Date: January 10, 2025

Findings Date: January 10, 2025

Project Analyst: Yolanda W. Jackson

Co-Signer: Gloria C. Hale

Project ID #: G-12572-24

Facility: Harmony at Kernersville

FID #: 230135

County: Forsyth

Applicant(s): MPcare, LLC

Project: Change of scope for Project ID# G-12338-23 (Develop a new ACH facility) to relocate no more than 6 ACH beds from The Ivy at Clemmons for a total of no more than 96 ACH beds upon project 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

MPcare, LLC (hereinafter referred to as “the applicant”), proposes a change of scope (COS) for Project ID# G-12338-23 (Develop a new adult care home (ACH) facility) to relocate no more than six ACH beds from The Ivy at Clemmons for a total of no more than 96 ACH beds at Harmony at Kernersville upon project completion.

A certificate of need was issued on July 25, 2023, for Project ID# G-12338-23 to develop a new ACH facility by relocating 90 ACH beds from The Ivy at Clemmons, including 36 Special Care Unit (SCU) beds. The applicant was authorized for a capital expenditure of \$25,267,363.

The current application proposes to relocate six undeveloped ACH beds from The Ivy at Clemmons. This application does not involve a cost overrun from the previously approved

capital cost. The applicant states that the additional six beds can be accommodated in the original floor plan, so no changes in cost or design are required.

Project ID# G-12338-23 was conforming to this criterion and the applicant proposes no changes in the current application which would affect that determination.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

- (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 a change of scope (COS) for Project ID# G-12338-23 (Develop a new ACH facility) to relocate no more than six ACH beds from The Ivy at Clemmons for a total of no more than 96 ACH beds at Harmony at Kernersville upon project completion. In Project ID# G-11660-19, 26 beds were approved to be relocated to The Ivy at Clemmons, but six of those beds were not developed. The applicant, MPCare, LLC, is the holder of the certificate of need for Project ID# G-11660-19. The applicant states that the number of SCU beds will remain at 36 beds and the number of non-SCU beds will increase from 54 to 60. The applicant states that the additional six beds can be accommodated in the original floor plan, so no changes in cost or design are required.

Patient Origin

On page 179, the 2024 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 facility from which the ACH beds are to be relocated are both located in Forsyth County. Thus, the service area for this project is Forsyth County. Facilities may also serve residents of counties not included in their service area.

In Section C, page 38, the applicant states it does not project a change to patient origin from what was projected Project ID# G-12338-23. The applicant states:

“For all intents and purposes, the patient origin has not changed. However, slight changes would technically be seen in the numbers simply due to the total number of individuals being served in the third operating year increasing with the total number of beds increasing.”

The applicant provided the projected patient origin for Harmony at Kernersville for the third operating year as shown in the table below.

Harmony at Kernersville				
County	Project ID# G-12338-23, 3rd Full FY 01/01/2030 to 12/31/2030		Project ID# G-12572-24, 3rd Full FY 01/01/2030 to 12/31/2030	
	# Patients	% of Total	# Patients	% of Total
Forsyth	102	77.3%	103	77.4%
Guilford	14	10.6%	14	10.5%
Davidson	4	3.0%	4	3.0%
Stokes	3	2.3%	3	2.3%
Alamance	1	0.8%	1	0.8%
Rockingham	1	0.8%	1	0.8%
Yadkin	1	0.8%	1	0.8%
Other States	1	0.8%	1	0.8%
Brunswick	1	0.8%	1	0.8%
Buncombe	1	0.8%	1	0.8%
Mecklenburg	1	0.8%	1	0.8%
Randolph	1	0.8%	1	0.8%
Wake	1	0.8%	1	0.8%
Total	132	100.0%	133	100.0%

Source: Section C, page 39.

The information is reasonable and adequately supported because the applicant proposes only a change in the projected number of patients and not the counties of patient origin for the third full operating year.

Analysis of Need

In Section C, pages 37-38, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, as summarized below:

- The applicant states that before the approval of Project ID# G-12338-23, there was an extreme discrepancy between The Ivy at Clemmons area and Harmony at Kernersville area with regard to the ratio of residents 55 years and older and the ACH beds available to them. After the approval, the ratios improved. However, a large discrepancy still existed. This discrepancy is illustrated as follows:

	Clemmons Area	Kernersville Area
Current 55+ Population per Bed	26.8	76.4
Proposed 55+ Population per Bed	30.4	54.9

Source: Section C, page 37.

- The applicant states that the relocation of an additional six beds in this application meets more of the unmet need in the Kernersville area. The Clemmons Area number does not change in the table below because the six beds in this application were not developed and were not part of the original calculation. Therefore, there is no loss in the Clemmons area; however, there is a slight change in the Kernersville Area. The new numbers are provided below:

	Clemmons Area	Kernersville Area
Current 55+ Population per Bed	30.4	54.9
Proposed 55+ Population per Bed	30.4	53.9

Source: Section C, page 38.

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

- The applicant provides data that demonstrates the need for the ACH beds proposed to be relocated.
- The applicant demonstrates that the need for the beds proposed to be relocated is greater in the Kernersville area where the proposed ACH facility will be developed than in the Clemmons area where the six beds were originally approved to be developed.

Projected Utilization

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

Form C.1b Projected Health Service Facility Bed Utilization upon Project Completion Harmony at Kernersville	1st Full FY	2nd Full FY	3rd Full FY
	CY 2028	CY 2029	CY 2030
Adult Care Home – All Beds			
Total # of Beds, including all those in a SCU	96	96	96
# of Admissions or Discharges (discharges)	23	41	48
# of Patient Day	15,246	24,988	30,341
Average Length of Stay	663	609	632
Occupancy Rate	43.4%	71.3%	86.6%
Adult Care Home – Special Care Unit Beds			
Total # of SCU Beds	36	36	36
# of Admissions or Discharges (discharges)	14	28	31
# of Patient Day	5,818	11,354	12,482
Average Length of Stay	416	406	403
Occupancy Rate	44.2%	86.4%	95.0%

Source: Section Q, Form C.1b.

In Section Q, pages 79-81, the applicant provides the assumptions and methodology used to project utilization, which is summarized below.

- The applicant utilized data gathered from Harmony at Brookberry Farm, a very similar facility in Forsyth County developed by the same developer, designed by the same

architect, and managed by the same management company to determine the facility’s fill-up rate.

- The applicant referenced the projected utilization based on the total number of beds for Forsyth County reported in the 2023 SMFP for the two years before the pandemic (using the average) and the most recent years in order to determine the rate at which bed use had fallen.
- In order to get back to pre-pandemic utilization, the bed days would have to increase another 12.24% compared to the most recent data in the SMFP.

The applicant provides the following annual population growth projected for Forsyth County between 2023 and 2028, according to the North Carolina Office of State Budget and Management (NCOSBM) population growth data:

Year	Annual Population Growth Ages 65 to 74	Annual Population Growth Ages 75 to 84	Annual Population Growth Ages 85+
2023	1.33%	5.41%	1.66%
2024	1.74%	4.71%	1.34%
2025	2.15%	4.21%	1.10%
2026	1.91%	3.66%	1.68%
2027	1.33%	3.65%	3.23%
2028	1.30%	3.12%	3.61%

Source: Section Q, page 80.

The applicant projects the following utilization percentages of intakes based on the population growth projected in the table above. This information is as follows:

Unit	Percentage Intake Ages 65 to 74	Percentage Intake Ages 75 to 84	Percentage Intake Ages 85+
Assisted Living (AL)	10.71%	35.71%	53.57%
Special Care Unit (SCU)	7.41%	44.44%	48.15%

Source: Section Q, page 80.

In Section C, page 39, the applicant refers to Form C.1b in Section Q for a table showing the projected utilization. The applicant states that the fill up rates remain the same as in the original application and the only change in utilization from the original application is in the third year as a result in the increased number of beds.

In Section Q, Assumptions and Methodology - Form C1.b, page 79, the applicant states:

“The total number of bed days for each month were taken from the AL (non-SCU) beds and the SCU beds to determine a fill-up rate using a regression analysis.”

The applicant projects utilization for the proposed facility, Harmony at Kernersville, based on historical utilization and growth for ACH beds and SCU beds for Harmony at Brookberry Farm, a similar facility. The applicant also accounted for the projections based on the need to stabilize the health services impacted by the COVID-19 pandemic.

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

- The applicant projects utilization based on population growth percentages from NCOSBM.
- The applicant utilizes its experience at a similar facility to project fill-up rates.

Access to Medically Underserved Groups

In Section C, page 40, the applicant states:

“As a result of the increase in the number of beds from 90 to 96, the proportion of beds made available to Medicaid recipients has changed. In order to prevent that percentage from decreasing, the applicant will make available one additional bed for use by Medicaid recipients, resulting in an increase from 11.1% to the 11.5% seen in the table below. This is the only change proposed with regard to access by medically underserved groups.”

The applicant provides the estimated percentage for each medically underserved group during the third full fiscal year, as shown in the following table from page 40:

Group	Estimated Percentage of Total Patients during the Third Full Fiscal Year
Low income persons	11.5%
Racial and ethnic minorities	44.8%
Women	52.4%
Persons with disabilities	100.0%
Persons 65 and older	100.0%
Medicare beneficiaries	100.0%
Medicaid recipients	11.5%

Source: Section C, page 40.

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 will make one additional bed available for use by Medicaid applicants as a result of the increase in the number of beds from 90 to 96. This results in an increase in the number of Medicaid recipients as a percentage of total patients from 11.1% to 11.5% in the third full fiscal year.

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.

NA

The applicant proposes a change of scope (COS) for Project ID# G-12338-23 (Develop a new ACH facility) to relocate no more than six ACH beds from The Ivy at Clemmons for a total of no more than 96 ACH beds upon project completion.

The applicant does not propose to reduce a service, eliminate a service, or relocate a facility or service in this application because the applicant states, in Section C, page 37, that 26 beds were approved to be relocated to The Ivy at Clemmons in Project ID# G-11660-19 but six of those beds were not developed. Therefore, there were no ACH services being provided in those beds. The applicant, MPCare, LLC, is the holder of the certificate of need for Project ID# G-11660-19.

Therefore, Criterion (3a) is not applicable to this review.

- (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.

C

The applicant proposes a change of scope (COS) for Project ID# G-12338-23 (Develop a new ACH facility) to relocate no more than six ACH beds from The Ivy at Clemmons for a total of no more than 96 ACH beds upon project completion.

In Section E, page 45, 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 to meet the need. The alternatives considered were:

- Developing the Beds at an Existing Operating Facility – The applicant states that this alternative would be more costly than the current proposal because there would be significant construction costs associated with adding the beds to another operating facility, while this proposal adds no additional cost to Project ID# G-12338-23. This alternative would also not allow residents taking advantage of those six beds to age in place as effectively as the approved facility would. Therefore, this is a less effective alternative.
- Adding Six Beds as SCU Beds – The applicant states that a 36-bed SCU is an optimal size for being large enough to take advantage of the economies of scale which keeps cost down, and staying small enough to provide the highest quality of care. Therefore, increasing the number of beds in the SCU is a less effective alternative.

- Developing a Stand-Alone Six-Bed Adult Care Home in the Kernersville Area – The applicant states that while this is technically possible, the lack of economies of scale would make it significantly less cost effective. Therefore, this is a less effective alternative.

The applicant adequately demonstrates that the alternative proposed in this application is the most effective alternative to meet the need based on the following:

- The applicant provides reasonable information to explain why it believes the proposed project is the most effective alternative.
- The application is conforming to all other statutory review criteria. Therefore, the application can be approved.

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. MPcare, LLC, (hereinafter certificate holder) shall materially comply with all representations made in the certificate of need application.**
- 2. The certificate holder shall develop a new 96-bed ACH facility, including 36 SCU beds, in Kernersville, in Forsyth County, by relocating 90 existing, licensed ACH beds and 6 undeveloped ACH beds (Project ID# G-11660-19) from The Ivy at Clemmons in Forsyth County.**
- 3. Upon completion of the project, Harmony at Kernersville shall be licensed for no more than 96 ACH beds.**
- 4. The applicant shall certify at least 11.5 percent of the total number of licensed adult care home beds in the facility for recipients of State/County Special Assistance with Medicaid and provide care to those recipients commensurate with representations made in the application.**
- 5. For the first two years of operation following completion of the project, the certificate holder shall not increase private pay charges more than 5% of the projected private pay charges provided in Section Q of the application without first obtaining a determination from the Healthcare Planning and Certificate of**

Need Section that the proposed increase is in material compliance with the representations made in the certificate of need application.

- 6. Progress Reports:**
 - a. Pursuant to G.S. 131E-189(a), the certificate holder shall submit periodic 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 July 1, 2025.**
 - 7. 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.**
 - 8. 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 a change of scope (COS) for Project ID# G-12338-23 (Develop a new ACH facility) to relocate no more than six ACH beds from The Ivy at Clemmons for a total of no more than 96 ACH beds upon project completion. The applicant states that the additional six beds can be accommodated in the original floor plan, so no changes in cost or design are required.

Capital and Working Capital Costs

A certificate of need was issued on July 25, 2023, for Project ID# G-12338-23 and authorized capital cost of \$25,267,363. The current application does not propose a capital cost increase over the previously approved capital cost.

Availability of Funds

In Project ID# G-12338-23, the Agency determined that the applicant adequately demonstrated it had sufficient funds available for the capital needs of the project in the amount of \$25,267,363. The applicant proposes no changes in this application that would change that determination.

Financial Feasibility

The applicant provides 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:

Harmony at Kernersville Projected Revenues and Net Income Upon Project Completion	1st Full Fiscal Year CY 2028	2nd Full Fiscal Year CY 2029	3rd Full Fiscal Year CY 2030
Total Patient Days	15,246	24,988	30,341
Total Gross Revenues	\$4,229,705	\$7,105,446	\$8,759,901
Total Net Revenue	\$4,229,705	\$7,105,446	\$8,759,901
Average Net Revenue per Day	\$277	\$284	\$289
Total Operating Expenses	\$5,871,029	\$6,931,924	\$7,526,768
Average Operating Expense per Day	\$385	\$277	\$248
Net Income	(\$1,641,324)	\$173,522	\$1,233,133

The assumptions used by the applicant in preparation of the pro forma financial statements are provided immediately following Form F.2b 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 increases in revenue in the third full fiscal year of operation following project completion based on the increase in non-SCU beds and the one additional bed available for Medicaid recipients.
- Projected utilization is based on reasonable and adequately supported assumptions. See the discussion regarding projected utilization in Criterion (3) which is incorporated herein by reference.

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.

- (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 a change of scope (COS) for Project ID# G-12338-23 (Develop a new ACH facility) to relocate no more than six ACH beds from The Ivy at Clemmons for a total of no more than 96 ACH beds upon project completion.

On page 179, the 2024 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 facility from which the ACH beds are to be relocated are both located in Forsyth County. Thus, the service area for this project is Forsyth County. Facilities may also serve residents of counties not included in their service area.

Table 11A on pages 190-191 of the 2024 SMFP lists 30 ACH facilities and one nursing facility with ACH beds, for a total of 2,013 licensed ACH beds in Forsyth County.

In Section G, page 55, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved ACH bed services in Forsyth County. The applicant states that the six ACH beds that are the subject of this application are new service components in the sense that they were beds not included in the previously approved application. Project ID# G-11660-19 proposed to relocate 26 ACH beds from Accordius Health at Winston-Salem to The Ivy at Clemmons. Only 20 ACH beds were developed, thereby leaving six undeveloped ACH beds authorized to be developed on the certificate of need.

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 ACH beds in Forsyth County.
- The applicant adequately demonstrates that the proposed project is needed in addition to the existing or approved ACH beds.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Information that 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 stated above.

- (7) The applicant shall show evidence of the availability of resources, including health manpower and management personnel, for the provision of the services proposed to be provided.

C

The applicant proposes a change of scope (COS) for Project ID# G-12338-23 (Develop a new ACH facility) to relocate no more than six ACH beds from The Ivy at Clemmons for a total of no more than 96 ACH beds upon project completion.

In Section H, pages 56-57, the applicant states that the proposed change of scope will result in changes to the projected staffing during the first three full fiscal years of operation. The applicant projects that staffing will change during the last four months of the third year of operations due to an increase in census as a result of the increase in the number of beds available. The applicant states that the average FTEs for Certified Nursing Assistants and Medication Technicians increased by 0.10 and 0.05 respectively for the entirety of the third operating year.

In Section Q, Form H, page 1, the applicant provides the current staff and projected full-time equivalent (FTE) staffing for the proposed services, as illustrated in the following table.

Position	Current FTE Staff as of 12/31/2022	Project ID# G-12338-23 Projected FTE Staff 3rd Full Fiscal Year	Project ID# G-12572-24 Projected FTE Staff 3rd Full Fiscal Year
Certified Nurse Aides / Nursing Assistants	21.06	21.92	22.02
Alzheimer's Coordinator	0.00	1.00	1.00
Dining Services Manager	1.00	0.50	0.50
Cooks	2.81	4.38	4.38
Dietary Aides	1.41	6.00	6.00
Dishwasher	0.00	1.50	1.50
Activities Director	1.00	0.50	0.50
Activities Assistant	0.00	0.50	0.50
Housekeeping	5.61	3.00	3.00
Maintenance Director	1.00	0.50	0.50
Maintenance Tech	0.00	0.50	0.50
Administrator / CEO	1.00	0.50	0.50
Business Office	1.00	0.50	0.50
Registered Nurse	1.00	0.00	0.00
LPNs	0.00	4.00	4.00
Healthcare Coordinator	0.00	1.00	1.00
Housekeeping Manager	0.00	0.50	0.50
Marketing Director	1.00	0.50	0.50
Marketing Assistant	0.00	0.50	0.50
Medication Technicians	1.00	10.67	10.72
Scheduler	1.00	0.00	0.00
Van Driver	1.41	0.50	0.50

The assumptions and methodology used to project staffing are provided in Section H and in supplemental information. Adequate operating expenses for the health manpower and management positions proposed by the applicant are budgeted in Section Q, Form F.3b. In Project ID# G-12338-23, the applicant adequately described the methods used to recruit or fill new positions as well as existing and proposed training and continuing education programs and nothing has changed in this application that would change that determination.

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

- The applicant provides reasonable assumptions and methodology used to project staffing which are based, in part, on the experience of a similar ACH facility.
- The applicant states that the proposed ACH is located with an independent living facility and the FTEs will be shared between the two facilities.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Information that 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.

- (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 a change of scope (COS) for Project ID# G-12338-23 (Develop a new ACH facility) to relocate no more than six ACH beds from The Ivy at Clemmons for a total of no more than 96 ACH beds upon project completion.

The application for Project ID# G-12338-23 adequately demonstrated the availability of the ancillary and support services necessary to the provision of the proposed services and adequately demonstrated the proposed services would be coordinated with the existing healthcare system and no changes are proposed in this application which would affect that determination.

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.

- (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

The applicant is not an HMO. Therefore, Criterion (10) is not applicable to this review.

- (11) Repealed effective July 1, 1987.
- (12) Applications involving construction shall demonstrate that the cost, design, and means of construction proposed represent the most reasonable alternative, and that the construction project will not unduly increase the costs of providing health services by the person proposing the construction project or the costs and charges to the public of providing health services by other persons, and that applicable energy saving features have been incorporated into the construction plans.

C

The applicant proposes a change of scope (COS) for Project ID# G-12338-23 (Develop a new ACH facility) to relocate no more than six ACH beds from The Ivy at Clemmons for a total of no more than 96 ACH beds upon project completion.

In Section K, page 63, the applicant states that the change in scope does not result in changes to the cost, design, and means of construction. The applicant states that the facility design approved in the application for Project ID# G-12338-23 can easily accommodate the addition of the six ACH beds proposed in this application without any design changes.

Project ID# G-12338-23 was conforming with this criterion and the applicant proposes no changes in the application as submitted which would affect that determination.

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

The applicant proposes a change of scope (COS) for Project ID# G-12338-23 (Develop a new ACH facility) to relocate no more than six ACH beds from The Ivy at Clemmons for a total of no more than 96 ACH beds upon project completion.

In Section L, page 68, the applicant states that the only change made from the previously approved application was to increase the proportion of residents relying on Medicaid in the third fiscal year. In the previously approved application, 10 beds were set aside as available to those residents relying on Medicaid (approximately 11.1% of the beds). The applicant states that after proposing to increase the number of ACH beds in this application from the original 90 beds to 96 beds, the applicant will increase the number of beds set aside as available to those residents relying on Medicaid to 11 beds (approximately 11.5% of the beds).

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.

- (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

Project ID# G-12338-23 was found conforming to this criterion and the applicant proposes no changes in the current application which would affect that determination.

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.

- (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 69, 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 tables below.

Harmony at Kernersville	
Payor Source	Percentage of Total Patients Served
Self-Pay	88.5%
Charity Care	0.0%
Medicare*	0.0%
Medicaid*	11.5%
Insurance*	0.0%
Workers Compensation	0.0%
TRICARE	0.0%
Other	0.0%
Total	100.0%

Source: Section L, page 69.

* Including any managed care plans.

Special Care Unit	
Payor Source	Percentage of Total Patients Served
Self-Pay	86.1%
Charity Care	0.0%
Medicare*	0.0%
Medicaid*	13.9%
Insurance*	0.0%
Workers Compensation	0.0%
TRICARE	0.0%
Other	0.0%
Total	100.0%

Source: Section L, page 69.

* Including any managed care plans.

As shown in the table above, during the third full fiscal year of operation, the applicant projects that 88.5% of total services for the facility will be provided to self-pay patients, 0.0% to Medicare patients and 11.5% to Medicaid patients.

As shown in the table above, during the third full fiscal year of operation, the applicant projects that 86.1% of total services for the Special Care Unit will be provided to self-pay patients, 0.0% to Medicare patients and 13.9% to Medicaid patients.

On page 69, 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 based on the following:

- The applicant provides reasonable assumptions and methodology used to project payor mix during the third full fiscal year of operation.
- The applicant proposes to increase the number of beds set aside for residents relying on Medicaid from 10 beds to 11 beds and as a result of this change, the applicant projects an increase in the proportion of residents relying on Medicaid in the third full fiscal year.

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.

- (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

Project ID# G-12338-23 was found conforming to this criterion and the applicant proposes no changes in the current application which would affect that determination.

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.

- (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

The applicant proposes a change of scope (COS) for Project ID# G-12338-23 (Develop a new ACH facility) to relocate no more than six ACH beds from The Ivy at Clemmons for a total of no more than 96 ACH beds upon project completion.

Project ID# G-12338-23 adequately demonstrated that the proposed health services will accommodate the clinical needs of health professional training programs in the area. The applicant proposes no changes in the current application which would affect that determination.

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.

- (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 a change of scope (COS) for Project ID# G-12338-23 (Develop a new ACH facility) to relocate no more than six ACH beds from The Ivy at Clemmons for a total of no more than 96 ACH beds upon project completion.

On page 179, the 2024 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 facility from which the ACH beds are to be relocated are both located in Forsyth County. Thus, the service area for this project is Forsyth County. Facilities may also serve residents of counties not included in their service area.

Table 11A on pages 190-191 of the 2024 SMFP lists 30 ACH facilities and one nursing facility with ACH beds, for a total of 2,013 licensed ACH beds in Forsyth County.

Regarding the expected effects of the proposal on competition in the service area, in Section C, pages 37-38, the applicant states that there is an extreme discrepancy between the Clemmons area and Kernersville area regarding the ratio of Forsyth County residents 55 years and older and the ACH beds available to them. The applicant states that prior to the 2023 application being approved, there was one ACH bed for every 26.8 people 55 and older in Clemmons and one ACH bed for every 76.4 people 55 and older in Kernersville. The applicant states that the proposed relocation of the six beds in this application will meet more of the unmet need of the residents in Kernersville area and there will be no loss in Clemmons area because the six ACH beds were not in use. Therefore, the proposal should improve access to ACH services in Forsyth County and not negatively affect utilization at other adult care homes in the service area.

Regarding the impact of the proposal on cost effectiveness, in Section N, page 73, the applicant states:

“...by increasing the number of beds, cost effectiveness is only enhanced by the economies of scale, and access to medically underserved groups is increased by adding an additional bed accessible by those relying on Medicaid.”

Regarding the impact of the proposal on quality, in Section O, page 74, the applicant states:

“The applicant (through its owners) has a long-standing tradition as a leader in quality assisted living and dementia care. There will be a formal compliance and performance improvement program, with regular resident care staff meetings. There are regular in-service training exercises to maintain compliance and best practices.”

Regarding the impact of the proposal on access by medically underserved groups, in Section N, page 73, the applicant states that access to medically underserved groups is increased by adding an additional bed accessible by those relying on Medicaid.

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

Based on that review, the Agency concludes that the application is 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.

C

In Section Q, Form O Facilities, the applicant identifies the related adult care home facilities located in North Carolina owned, operated or managed by the applicant or a related entity. The applicant identifies a total of two facilities located in North Carolina.

In Section O, page 75, the applicant states that, during the 18 months immediately preceding submission of the application, no incidents related to quality of care have occurred at any of these facilities. According to the files in the Adult Care Licensure Section, DHSR, during the 18 months immediately preceding submission of the application through the date of this decision, no incidents related to quality of care occurred in any of these facilities. After reviewing and considering information provided by the applicant and by the Adult Care Licensure Section and considering the quality of care provided at the two 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 a change of scope (COS) for Project ID# G-12338-23 (Develop a new ACH facility) to relocate no more than six ACH beds from The Ivy at Clemmons for a total of no more than 96 ACH beds upon project completion.

The Criteria and Standards for Nursing Facility or Adult Care Home Services promulgated in 10A NCAC 14C.1100 are not applicable because they do not apply to a proposal to relocate existing adult care home beds.