



July 1, 2011

Fatimah Wilson, Project Analyst  
Certificate of Need Section  
Division of Health Service Regulation  
North Carolina Department of Health and Human Services  
809 Ruggles Drive  
Raleigh, North Carolina 27626-0530

RE: Comments on Watauga County Nursing Care Bed CON Applications

Dear Ms. Wilson:

Enclosed please find comments prepared by Blowing Rock Hospital, Inc. regarding the competing CON applications for 30 additional nursing care beds in Watauga County, to meet the need identified in the *2011 State Medical Facilities Plan*. We trust that you will take these comments into consideration during your review of the applications.

If you have any questions about the information presented here, please feel free to contact me at 828.295.5253. I look forward to seeing you at the public hearing.

Sincerely,

A handwritten signature in cursive script that reads "Tim Ford".

Timothy R. Ford  
CEO  
Blowing Rock Hospital

**COMMENTS ABOUT COMPETING CERTIFICATE OF NEED APPLICATIONS  
WATAUGA COUNTY NURSING CARE BEDS**

**Submitted by Blowing Rock Hospital, Inc.  
July 1, 2011**

---

Two applicants submitted Certificate of Need (CON) applications in response to the need identified in the *2011 State Medical Facilities Plan (SMFP)* for 30 additional nursing care beds in Watauga County; Lynnhaven II, LLC/Borum Healthcare, LLC (Lynnhaven), and Blowing Rock Hospital, Inc. (BRH). In accordance with N.C.G.S. §131E-185(a.1)(1), this document includes comments relating to the representations made by the other applicant, and a discussion about whether the material in each application complies with the relevant review criteria, plans, and standards. These comments also address the determination of which of the competing proposals represents the most effective alternative for development of the additional nursing care beds in Watauga County.

This CON decision is critical for Watauga County residents. Both existing Watauga County nursing care providers have applied for the additional beds, each with its own assessment of need and each with its own proposed program. Our comments are based on general health-planning issues and specific issues we believe are material to the review process.

We recognize that the decision will be based upon the State's Certificate of Need (health planning) objectives. Particular focus is on the need to provide county residents with 1) convenient and universal access, and 2) adding nursing care beds to the local long-term care market place, with an emphasis on high quality care, and featuring the "culture change" of enhancements to long-term care, (evidenced, in the case of BRH, by development of an entirely new facility). The approved provider should most accurately assess the local needs, and should have demonstrated capability and commitment to serve.

We believe that BRH offers the most effective solution. Our application offers:

- A rich mix and broad spectrum of services from a local provider with a long and proven commitment to Blowing Rock and Watauga County.
- An entirely new physical plant, featuring an architectural design and innovative care program to support nursing care practices, work place practices, and environmental design that address quality of care and quality of life needs of the residents.
- A 24-bed dedicated Alzheimer's unit at the nursing care bed level.

- A location that is more appropriate for the residents of the Town of Blowing Rock, and that is more readily accessible to all Watauga County residents, with easy access to physician offices.
- A projected payor mix that demonstrates ready access to services for all patients, especially Medicare/Medicaid, and regardless of financial background.
- Very attractive employee salaries and benefits, to continue to attract high quality clinical staff.
- A staffing plan that focuses resources on maximizing licensed care hours per patient day at the appropriate nursing care levels.
- Competitive private pay charges and reasonable operating costs.
- Abundant support of the local community, including physicians, other providers, residents, government and business.

Specifically, the CON Section, in making the decision, should consider several key issues, including the extent to which each proposed project:

- (1) Conforms to all the statutory CON review criteria and administrative criteria and standards, as well as consistency with the applicable policies of the 2011 State Medical Facilities Plan;
- (2) Reasonably demonstrates the need the population has for the proposed services;
- (3) Best documents support from the community, including referring physicians;
- (4) Represents the most effective alternative for expansion and improvement of nursing care services in Watauga County; and
- (5) Best improves access to nursing care services for all residents of Watauga County, including for medically underserved populations.

Based on conformity to the CON review criteria and administrative criteria and standards, consistency with the applicable policies of the 2011 SMFP, and by offering much greater benefits to the Watauga County community, BRH represents the most effective alternative for development of the additional nursing care beds.

The remainder of this document consists of comparative comments, as well as specific commentary about the competing Lynnhaven application.

## **Comparative Analysis**

### **Access to Healthcare Services**

The need determination in the 2011 SMFP is essential to continued access to nursing care services in Watauga County. Currently, BRH operates 72 nursing care beds at its hospital facility in Blowing Rock. It is general industry knowledge that operating a nursing facility with fewer than 100 beds is less cost effective and relatively inefficient. As described in BRH's CON application, the percent of nursing homes with fewer than 50 beds decreased from 40.8 percent in 1973 to 13.9 percent in 2004, while the percent of nursing homes with 100 to 199 beds increased from 20.4 percent in 1973 to 42.5 percent in 2004. Due to the substantial operating losses incurred on an annual basis, BRH will be unable to continue to operate a facility with only 72 nursing care beds. Therefore, the proposed new 30 skilled nursing beds are mission critical to the continued offering of skilled nursing services at BRH. The proposed new 102-bed skilled nursing facility will create greater economies of scale, and will enable the facility to be profitable. Most importantly, the proposed project ensures that residents of Blowing Rock and Watauga County will continue to have access to skilled nursing services offered by BRH.

### **Geographic Access**

Because this competitive batch review involves existing nursing bed providers, BRH determined a township analysis is not an effective means for evaluating geographic access. Of the two competing proposals, BRH's proposed project best improves geographic access to nursing care beds for Watauga County residents.

Watauga County has only two nursing facilities: Blowing Rock Hospital in Blowing Rock and Glenbridge Health and Rehabilitation Center in Boone. Blowing Rock and Boone are the two major population centers of Watauga County. BRH has provided healthcare services to residents of Blowing Rock since 1952 and is an important provider to the local community. Additionally, there is already a nursing facility with 124 skilled nursing beds in Boone. BRH determined that it is important to maintain the availability of skilled nursing services in Blowing Rock.

BRH's existing facility in Blowing Rock is located in a residential area that is not easily accessible for residents of Watauga County. The proposed location off U.S. Highway 321 near the intersection of the Blue Ridge Parkway will offer greater visibility and will improve ease of access for Watauga County residents. Highway 321 is the major north/south thoroughfare in Watauga County, and provides an easy-to-travel, direct

passageway from Blowing Rock to Boone (and vice versa). The proposed location is only two miles from the existing BRH facility, but is much more easily accessed, and will have greater visibility. Thus, the proposed BRH location will improve geographic accessibility for residents throughout Watauga County while also preserving the long-term relationship between the Blowing Rock community and BRH.

### **Innovations in Nursing Facility Design**

BRH proposes the most effective alternative from a facility design perspective. Whereas Lynnhaven proposes only a small addition to its existing facility, BRH proposes to develop an entirely new and modern facility, designed to meet the contemporary regulatory requirements and consumer expectations for quality of care and quality of life. As an example of one of the attractive features of its facility, BRH proposes 240 SF patient rooms, which are larger than the proposed Lynnhaven rooms. BRH's proposed new facility also will feature a Neighborhood design concept. Patients will "live" in neighborhoods where the clinical team provides their care specialized for their specific health condition. The Neighborhood design concept is in response to changes brought on by the demands of changing generations. The Neighborhood environment design represents a new paradigm where seniors can regain variety and freedom of choice.

It is also important to note that BRH is conforming to all three components of Policy NH-8 (innovative approaches in care practices, work place practices and environmental design). BRH provides many details related to innovative approaches in care practices, workplace practices and environmental design for the proposed new facility on pages 53-56 of its CON application.

In response to Policy NH-8 – Innovation in Facility Design, the only detail Lynnhaven provided was the inclusion of 14 private nursing care rooms (page 53 of Lynnhaven's application). Lynnhaven failed to provide any information regarding innovative approaches in care practices and workplace practices in response to Policy NH-8. Furthermore, according to page 3 of Glenbridge's 2011 License Renewal Application, Glenbridge does not currently practice a formalized culture change program, and is not currently implementing enhancements to its nursing facility. Therefore, it is clear that BRH's proposed project is comparatively superior with regard to innovations in nursing facility design.

### **Alzheimer's Care**

Watauga County does not currently host a special care unit for patients with Alzheimer's Disease and Related Dementias (ADRD). BRH is the most effective

alternative in that it proposes a large ADRD unit of 24 beds. Further, in addition to being smaller, Lynnhaven's proposed 20-bed ADRD unit will be at the rest home bed (ACH) level, not the nursing bed level of care. Thus, Lynnhaven's Alzheimer's Care unit is not related to the need determination for additional nursing care beds.

### Bed Mix

BRH is the most effective alternative in that it proposes vastly more private beds than does Lynnhaven. Specifically, BRH proposes 76% of its beds (78/102) versus only 9% (14/154) at Lynnhaven.

### Private Pay Charges

Despite its design of an entirely new facility featuring contemporary standards, BRH offers very competitive private pay charges, as shown in the tables on the following page.

Private Pay Patient Charge	
Applicants	Private Room
Lynnhaven	\$ 225.00
BRH	\$ 226.00

Private Pay Patient Charge	
Applicants	Semi-Private Room
Lynnhaven	\$ 209.00
BRH	\$ 207.00

## Employee Benefits

BRH proposes a richer employee benefit package than Lynnhaven.

Staff Benefits %	
Applicants	%
Lynnhaven	16%
BRH	30%

## Clinical Staff Salaries

BRH projects higher RN salaries than Lynnhaven, as shown in the table on the following page.

RN Salary	
Applicants	\$
Lynnhaven	\$48,600
BRH	\$51,600

## Letters of Support

Lynnhaven's application included only one physician support letter and one resident letter. By contrast, BRH included broad physician and community support, including:

- 13 physician letters,
- 2 hospital letters
- A support letter from the County Department of Social Services
- A support letter from the District Health Department
- A support letter from the Area Agency on Aging
- 13 support letters from residents or family members
- Over a dozen support letters from municipal and county governments, education, business, and local citizens.

## Specific comments regarding the Lynnhaven application

- Lynnhaven’s application is non-conforming with 10A NCAC 14C .1102 (a), Performance Standards for Nursing Facility. Specifically, 10A NCAC 14C .1102 (a) states “*An applicant proposing to add nursing facility beds to an existing facility shall not be approved unless the average occupancy, over the nine months immediately preceding the submittal of the application, of the total number of licensed nursing facility beds within the facility...was at least 90 percent*” (emphasis added). In response to this rule, Lynnhaven provided utilization data for the time period of May 2010 through January 2011 (page 61 of Lynnhaven application). The application submission date for the 2011 SMFP need determination in Watauga County was May 15, 2011<sup>1</sup>. Lynnhaven failed to provide any utilization data for February and March 2011. This is important to consider because Lynnhaven’s average occupancy consistently decreased for the last four months for which it provided data. Please refer to the following table.

### Glenbridge Health & Rehabilitation

Month	Days of Care	Days in Month	Average Occupancy
May-10	3,677	31	95.7%
Jun-10	3,578	30	96.2%
Jul-10	3,552	31	92.4%
Aug-10	3,538	31	92.0%
Sep-10	3,417	30	91.9%
Oct-10	3,711	31	96.5%
Nov-10	3,444	30	92.6%
Dec-10	3,406	31	88.6%
Jan-11	3,147	31	81.9%

Based on information provided in Lynnhaven’s application, Glenbridge Health and Rehabilitation Center was operating at only 81.5 percent capacity at the time the application was filed. Lynnhaven’s projections in Section IV refer to “*See accountant’s compilation report and summary of significant assumptions.*” Exhibit 12 (page 384) states the facility will begin with “*an estimated SNF census of 101 patients*” and will fill up to 141 patients by December 2013. The beginning census of 101 patients is based on the facility’s current census or 81.5 percent occupancy

<sup>1</sup> For information purposes, BRH recognizes that it is may not reasonable for some providers to provide utilization data through April 2011 because of the time needed to gather information and develop the CON application for the May 15, 2011 submission date.



(101/124=81.5%). Therefore, BRH calculated Glenbridge's average occupancy for the nine months immediately preceding the submittal of the application (June 2010 – March 2011) based on a census of 101 patients during the months of February and March. Please refer to the following table.

**Glenbridge Health & Rehabilitation**

Month	Days of Care	Days in Month	Average Occupancy
Jul-10	3,552	31	92.4%
Aug-10	3,538	31	92.0%
Sep-10	3,417	30	91.9%
Oct-10	3,711	31	96.5%
Nov-10	3,444	30	92.6%
Dec-10	3,406	31	88.6%
Jan-11	3,147	31	81.9%
Feb-11	2,828	28	81.5%
Mar-11	3,131	31	81.5%
<b>9 month total</b>	<b>30,174</b>	<b>274</b>	<b>88.8%</b>

Based on information provided in its CON application, Lynnhaven does not demonstrate that Glenbridge's average occupancy immediately preceding submittal of the application was at least 90 percent. Therefore, Lynnhaven is non-conforming with 10A NCAC 14C .1102 (a) and cannot be approved.

- Lynnhaven's application is non-conforming with Review Criterion 3. Lynnhaven failed to provide any statistical or other data that substantiates the need for 30 additional nursing beds at Glenbridge. By comparison, BRH provided an extensive qualitative and quantitative need analysis in its application to demonstrate the need it has for 30 additional beds, including a discussion of population, aging, nursing home trends and nursing bed use rates. Lynnhaven provided projected population estimates for Watauga County, but failed to provide any analysis of the need for additional nursing care beds at its facility. Furthermore, based on information provided in its CON application, Glenbridge is currently operating at only 81.5 percent occupancy (101/124 = 81.5%, see Exhibit 12 page 384 of Lynnhaven application). Therefore, Lynnhaven is currently underutilized and failed to provide sufficient information to demonstrate the need it has for its proposed project.
- Lynnhaven's application is non-conforming with Review Criterion 5. Specifically:

- Per the Estimated Capital Cost Table on p. 110 of the application, Lynnhaven's total project capital cost is \$2,731,044, not \$2,671,044 (Lynnhaven's table total excludes the \$60K cost of FFE). Thus, the application fee of \$10,013 paid by Lynnhaven was insufficient. The appropriate application fee (payable prior to the start of the review period) was \$10,193.
  - According to Section VIII of the application, the Lessor Lynnhaven II is responsible for funding the entire capital cost. (Borum Healthcare, LLC is the Lessee, and per Section VIII (page 111) has no responsibility for funding capital cost. Borum only funds the working capital cost, per page 121 and page 401.) Lynnhaven II proposes owner's equity for the capital cost, excepting a \$1.5M bank loan. Thus, Lynnhaven II is responsible for \$1,231,044 (\$2,731,044 - \$1,500,000). Yet the Lynnhaven II balance sheet shown in Exhibit 12 (page 387) shows only \$360,851 cash. Therefore, the applicant did not demonstrate the availability of funds to cover the capital requirements.
  - The Lynnhaven II funding letter from the bank (Exhibit 14) indicates a loan interest rate ceiling of 7.5%; however, the loan amortization table (included in Exhibit 30) is based on a loan interest rate of 6.5%. This results in a material difference of approximately \$216K additional loan payments over the 20-year loan term.
  - Lynnhaven does not document having any Administrator in its application. Specifically, page 93 in Section VII does not include an Administrator in the listing of current staff at the existing facility. In addition, Form A of the financial statements (p.152) does not show any staffing or salary for an Administrator. Thus, Lynnhaven has no documented historical basis for the Administrator salary that it projects in Form C.
- Lynnhaven does not have the necessary municipal approval to develop its proposed application. Specifically, according to the Watauga County GIS system, LynnHaven II, LLC owns 8.573 acres or 373,745 square feet of land. Per the Town of Boone Letter dated December 2, 2010 included in the Lynnhaven CON application, this land only allows for a maximum built-upon area of 24% (see definition of built-upon area below).

According to the Lynnhaven application (Section XI.5), the current Glenbridge facility is approximately 50,064 square feet, and according to GIS there is approximately 25,000 square feet of parking and drives, as well as a 1,040 SF metal shed on the site, for a total of 76,104 (50,064+25,000+1,040) square feet of

coverage. This coverage represents a built-upon area of 20.36% (76,104/373,745). Adding the proposed new construction of 17,295 SF brings the sub-total to 93,399 square feet or a coverage ratio of 24.99%. This does not take into account the additional parking required for this new addition (see attached definitions of parking requirements). It appears that Lynnhaven currently has about 80 spaces (from an aerial picture count). Using the same ratio of 1.8 spaces per bed (special use permit to get below parking ordinance) would mean Lynnhaven needs an additional 50 or so parking spaces at 250 sf/car or 12,600 sf which represents an additional 3.3+% of coverage. Therefore, a grand total of 105,999 sf/373,745 sf = 28.36% of coverage. The Lynnhaven CON application did not include a site plan showing the total site. Further, the Lynnhaven CON application did not include an application for a Special Use Permit. Further, a web search of the Town of Boone records and meeting minutes indicates no record of "Lynnhaven" or "Glenbridge" filing a special permit application. In fact, in response to application question XI.2(e) (page 137) regarding a special use permit, Lynnhaven responded "Not applicable".

In summary, Lynnhaven's application does not document the municipal authorization to develop the property as proposed, and therefore is not an approvable CON application.

**Town of Boone Development Services  
Unified Development Ordinance (UDO)**

**Article II Basic Definitions and Interpretations  
Section 15. Definitions of Basic Terms**

*Built-upon Area:* Built-upon areas shall include that portion of a development project that is covered by impervious or partially impervious cover including buildings, pavement, gravel roads, recreation facilities, etc.

*Nursing Care Institution:* An institutional facility maintained for the purpose of providing skilled nursing care and medical supervision at a lower level persons.

**Article XIX Parking  
Section 346. Number of Parking Spaces Required**

**(e) Required Parking by Use  
Commercial Land Uses    Maximum Parking Allowed**

2.100 Commercial Retail	5 spaces / 1,000 Sq. Ft.
2.200 Commercial Wholesale	3 spaces / 1,000 Sq. Ft.
3.0 Commercial Office	5 spaces / 1,000 Sq. Ft.
<b>7.0 Institutional Residence</b>	<b>2 spaces / bed</b>

- Lynnhaven's application is non-conforming with Review Criterion 1. Specifically, although required by SMFP Policy Gen-4, Lynnhaven's application includes no written statement about water conservation.
- Lynnhaven's application is non-conforming with Review Criterion 4, based on its non-conformity with Criteria 3.
- Lynnhaven's application is non-conforming with Review Criterion 6, based on the non-conforming with Criteria 3 and 5.
- Lynnhaven's application is non-conforming with Criterion 12, based on the non-conformity with Criterion 1. The applicant is required to document that applicable energy saving features have been incorporated into the construction plans. Lynnhaven's application does not include a written statement in application about water conservation, as required by Policy Gen-4.
- Lynnhaven's application is non-conforming with Review Criterion 13c: Lynnhaven provides no justification for its assumption of a projected 70% Medicaid nursing care bed mix, compared to its historical 62.2% Medicaid mix.