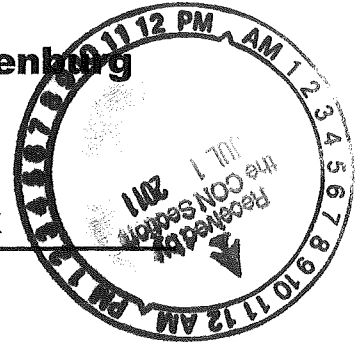


**Olde Knox Commons at The Villages of Mecklenburg**  
**13825 Hunton Lane**  
**Huntersville, North Carolina 28078**  
**704.897.2700 Phone 704.897.2800 Fax**

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June 28, 2011

Mr. Craig Smith, Chief  
Certificate of Need Section  
North Carolina Department of Health & Human Services  
Division of Health Service Regulation  
2704 Mail Service Center  
Raleigh, North Carolina 27699-2704

Re: Written Comments on Charlotte Health Care Center (68), Inc.  
Project ID # F-008681-11 & Project ID # F-7838-07

Dear Mr. Smith:

Please accept the following comments on the above referenced projects submitted by Olde Knox Commons at The Villages of Mecklenburg.

Charlotte Health Care Center (68), Inc. originally submitted a certificate of need application in 2007 (Project ID # F-7838-07) as part of a competitive process for an allotment of 180 nursing home beds allowed in Mecklenburg County in the State Medical Facilities Plan of 2007. The original application proposed to add sixty (60) new beds to the existing Charlotte Health Care Center (68), Inc. located on Toddville Road in northwest Mecklenburg County. This would increase the bed availability at Charlotte Health Care Center and in northwestern Mecklenburg County from 120 beds to 180 beds.

Charlotte Health Care Center (68), Inc. in its original application effectively made the argument that additional skilled nursing home beds were needed in the northwestern portion of the county and stated that "an immediate need for additional beds at Charlotte Health Care Center is needed to serve the northwestern portion of Mecklenburg County". Charlotte Health Care Center also stated in its original application that the need was further exacerbated by a deficit of 42 beds in Gaston County and Charlotte Health Care Center is the only facility located in the northwestern area of the county situated to meet this need.

The Certificate of Need Office agreed with the argument made by Charlotte Health Care Center and stated in the Certificate of Need Findings and Conclusions dated 09-05-2007 the following for all of the competitive applications submitted:

"The CON Project Analyst concluded that the Northwest Planning Region 16, 17 and the East Planning Region (6,7,8,9) which includes the Town of Mint Hill have the greatest need for additional nursing facility beds. The Project Analyst

also concluded it is not the most effective alternative to develop all 180 new nursing facility beds in one location, given the size of the population in Mecklenburg County and the pockets of bed need in the county. Consequently the proposals submitted by Charlotte Health Care Center and Britthaven are the most effective alternatives in this review with regard to geographic distribution of nursing facility beds in Mecklenburg County.”

Please note that Mecklenburg Health Care Center filed an application in the competitive review of 2007 to develop a 120 bed facility in the northern part of the county in Huntersville; this application was denied in part because the need for additional beds in the northern part of the county was less than that of the northwestern part as evidenced by the Project Analyst above comments and census data submitted by all of the applicants.

Now in 2011, Charlotte Health Care Center has switched gears and in a noncompetitive application process proposes to move the sixty (60) beds awarded in 2007 along with an existing thirty (30) beds located at the Charlotte Health Care Center to the northern area of the county (Huntersville). This clearly does not materially comply with the application as awarded in 2007. In addition, it takes much need existing beds (30) and awarded but yet developed beds (60) out of an area of high need into an area of low or non existing need. **This creates a geographical mal-distribution of beds with in the county.**

Charlotte Health Care Center in their 2011 application tries to make an argument for the need for additional beds in the northern part of the county by stating that only three (3) nursing homes are located in Mecklenburg County west of I-77: Olde Knox Commons (114 beds), Charlotte Health Care Center (100 beds) and Mecklenburg Health Care Center (110 beds). While this is true, Charlotte Health Care Center failed to identify the 168 existing beds at Huntersville Oaks in Huntersville and on the east side of I-77 as well as the approved but yet developed 102 beds to be located in Cornelius. This puts the available beds in Huntersville and the northern area at 384 while reducing the available beds in the northwestern area of the county to 90 beds. This will have a definite negative effect on the residents residing in the northwestern area of the county while creating an “over bedded” area in the north. Huntersville Oaks and the facility under development in Cornelius, while both located on the east side of I-77, are a mile or less from I-77 and both serve or will serve the citizens of Huntersville. The argument for facilities “located on the west side of I-77” does not compute and is only a smoke screen in the face of no compelling argument backed up with census data, bed ratio to census and unmet need in the Huntersville area. Additionally the Mooresville Center facility with 130 skilled nursing beds located in Mooresville in Iredell County but very close to the Mecklenburg County line serves residents of northern Mecklenburg County as well. This information was not included in the proponent’s application and projected need for relocation of the existing thirty (30) beds and the undeveloped sixty (60) beds. Again, allowing the proponent to relocate these beds to the northern area of the county will serve only to create a geographic mal-distribution of beds in direct conflict with good health care planning and equal access to care for all citizens.

To materially comply with the Certificate of Need as awarded to Charlotte Health Care Center (68), Inc. in the 2007 competitive process and to promote cost effectiveness, quality of care and access to underserved groups (as stated by CHCC in Section V. on page 84 of their original application), why not build the additional facility (if CHCC

believes this is the better choice for smaller size) on the property already owned by CHCC at the designated site set forth in the original application. Charlotte Health Care Center owns 10.82 additional acres purchased in 1989 for \$206,500 at the Toddville Road site. One has to assume that the site is now zoned for nursing home construction since CHCC (according to progress reports submitted to the Certificate of Need Section) had completed preliminary site work and other preparations to begin construction of the awarded additional sixty (60) beds before switching gears and making plans to relocate these beds to a more affluent area of the county. They now propose to locate these beds on a 6.5 acre site that is not currently owned or zoned for nursing home construction with a proposed purchase cost of \$1,827,924.00. This not only increases the overall cost of the proposed project and takes the original total project cost from \$3,800,000.00 to \$11,200,000.00 for the now proposed project, but again does not materially comply with the original application in regards to capital cost. One also must question the ability to “fit” a proposed 51,735 square foot building with required parking on a 6.5 acre site.

Charlotte Health Care Center (68), Inc. in their original application submitted in 2007 proposed the following rates and charges in Section X of the application:

|                   | 2nd Full Year |
|-------------------|---------------|
| Private Pay:      |               |
| Semi private room | \$179.00      |
| Private room      | \$199.00      |
| Medicare          | \$350.00      |
| Medicaid          | \$133.17      |

Charlotte Health Care (68), Inc. in the new application submitted in 2011 proposes the following rates and charges in Section X of the new application:

|                   | 2nd Full Year |
|-------------------|---------------|
| Private Pay:      |               |
| Semi private room | \$250.00      |
| Private room      | \$250.00      |
| Medicare          | \$420.00      |
| Medicaid          | \$157.00      |

The proposed rates and charges in the original and awarded certificate of need application compares to the new proposed application as follows:

|                   | 2007 Application | 2nd Full Year<br>2011 Application | Variance     |
|-------------------|------------------|-----------------------------------|--------------|
| Private Pay:      |                  |                                   |              |
| Semi private room | \$179.00         | \$225.00                          | +\$46.00 ppd |
| Private room      | \$199.00         | \$250.00                          | +\$51.00 ppd |
| Medicare          | \$350.00         | \$420.00                          | +\$70.00 ppd |
| Medicaid          | \$133.17         | \$157.00                          | +\$23.83 ppd |

The private pay charges increase by \$46.00 and \$51.00 per patient day respectively, Medicare charges increase by \$70.00 per patient day and Medicaid increases by \$23.83 per patient day. Thus the private pay and Medicare patients will be the significant financers of the vast difference in the cost of providing the beds as originally planned and now submitted. To make the project work CHCC must relocate to a more affluent area of the county and thus deny access to an identified underserved medically indigent population. Thus again, going in the wrong direction for good health planning and affordable health care access for all as well as not materially complying with the original certificate of need application as awarded.

Charlotte Health Care Center (68)'s original capital cost as proposed in the 2007 application is as follows:

|                 |             |
|-----------------|-------------|
| Capital Cost    | \$3,800,000 |
| Per Square Foot | \$105.00    |
| Per Bed         | \$63,333    |

Charlotte Health Care Center (68)'s projected capital cost in the 2011 application as submitted is as follows:

|                 |              |
|-----------------|--------------|
| Capital Cost    | \$11,200,000 |
| Per Square Foot | \$216.48     |
| Per Bed         | \$124,444    |

The net sum difference is as follows:

|                 | 2007 Approved<br>Application | 2011 Proposed<br>Application | Variance     |
|-----------------|------------------------------|------------------------------|--------------|
| Capital Cost    | \$3,800,000                  | \$11,200,000                 | +\$7,400,000 |
| Per Square Foot | \$105.00                     | \$216.48                     | +\$111.48    |
| Per Bed         | \$63,333                     | \$124,444                    | +\$61,111.00 |


The capital cost of the new proposed project is three times greater than the capital cost presented in the competitive process review. In addition, land cost alone pushes the capital cost up approximately two million dollars (\$2,000,000); land cost is reported in the 2011 application as \$1,827,924 dollars. Comparatively the current land owned by the applicant and stated in the original application as the site location cost only \$206,500 for a larger tract of land (10.82 acres versus 6.5283 acres) located in the well documented approved area of need within Mecklenburg County. Thus good health planning may be to allow a total new facility to be built but to be located on the original site meeting the identified health care needs of an underserved population at a more reasonable cost of services.

In terms of comparing charges and per patient day cost, the charges and per patient day cost in order to materially comply with the 2007 application as submitted and approved should be inflated forward each year at a reasonable inflation rate to determine if the cost of the sixty (60) beds materially complies with the 2007 application. If charges and per patient day cost are inflated significantly, then one would have to judge the application as non-complying with the 2007 application as submitted and with the conditions set forth in the 2007 facts of findings by the Certificate of Need Office.

In summary, Charlotte Health Care Center (68), Inc. is clearly circumventing the 2007 **competitive application process** whereby they were awarded the sixty (60) additional beds and are now asking in a non-competitive review process to located these beds in their desired area of the county where a need for additional beds could not be demonstrated or substantiated in the original competitive review process. Their 2011 application would clearly not meet review criteria for equal geographical distribution and access to beds within the county and for cost and charges should it be reviewed in the competitive process as demonstrated by the 2007 documented facts and findings by the Certificate of Need Agency. Nothing is more important in certificate of need review than consistency in the decision making process. To approve Charlotte Health Care Center's 2011 application to relocate the awarded sixty (60) beds plus take away from an area (western part) of the county with high demonstrated unmet need an additional thirty (30) beds and constructing these beds in an area of the county with a high density of beds (northern part) is inconsistent with certificate of need review and decision making process and criterion. It places an undue burden on those residents in the western part of the county for access to care and gives the more affluent residents in the northern part of the county multiple choices in services. **This is clearly not a basic principle of quality health care planning.** In fact, allowing the relocation of these awarded beds received in a competitive process to be relocated in a noncompetitive process invalidates the whole process of review in 2007 and again allows an applicant to not materially comply with their original application!

Thank you for the opportunity to submit written comments on the above project(s).

Sincerely,



Linda J. Howard,  
President