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Martha Frisone, Assistant Chief
Gloria Hale, Analyst
Certificate of Need Section, DHSR, DHHS
809 Ruggles Drive
Raleigh, NC 27603



September 30, 2015

Dear Ms. Frisone and Ms. Hale,

In accordance with NC G.S. §131E-185(a1)(1), Liberty Healthcare Properties of Brunswick County, LLC and Liberty Commons Assisted Living of Brunswick County, LLC (collectively “Liberty”) hereby submit the following comments related to competing applications filed in response to the need determination in the 2015 NC State Medical Facilities Plan (“SMFP”) for three hundred and forty (340) new adult care home (“ACH”) beds to be located in Brunswick County.

Five applications were submitted for a total of 472 ACH beds, therefore not all beds that were applied for can be awarded. There exists the potential for all 340 ACH beds to be awarded and allocated to various parts of the county which would result in a very optimal and beneficial distribution of the beds throughout the most heavily populated areas most in need of additional ACH beds. The two areas of Brunswick County most in need of new ACH beds are the Leland area/NE part of the county and the Shalotte/Carolina Shores southwestern part of the county. Two applicants (Liberty and Leland House) proposed a total of 150 new ACH beds in the northeastern part of the county and three applicants (The Brunswick Community, Calabash Manor, and Arbor Landing) proposed a total of 322 ACH beds in the southwestern part of the county. Please see **Exhibit 1** for a map depicting the existing and proposed facilities in Brunswick County.

Liberty endorses the approval of the applications of Liberty, Leland House, The Brunswick Community, and Calabash Manor for a total of 340 ACH beds and respectfully requests that the Arbor Landing application be denied based on the comments that follow.

Liberty also recognized that the salary column for Table VII.3 was inadvertently left off of its application. The full Table VII.3 is included as **Exhibit 2**. Salaries can be verified by dividing salaries found on Form C by the number of FTE’s found on Table VII.3 in the application. Liberty appreciates your consideration of our comments in your review process.

With Regards,

Hunter Diefes, Director of Financial Planning
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- Applicants state in the need/demand section that semi-private beds in Brunswick County are mainly utilized as private (Page 28), however, their proposal only provides for 29% of the beds to be located in private rooms. This is well below the average market demand in any facility, as the Applicants have stated they are aware. This proposal will not adequately meet a need that the Applicants have themselves identified as being an important component of any new facility. Alternatively, The Brunswick Community and Calabash Manor collectively propose 42% of the 190 ACH beds to be located in private rooms.
- Applicants project only \$80,000 for equipment and furniture in their capital cost budget. As an existing Independent Living facility the residents supply their own furniture. The Applicants will have to purchase at the very least 132 healthcare beds. An electric healthcare bed with mattress can range in cost from approximately \$700 to \$1,300 (in Liberty's experience). If beds average \$1,000 then the Applicants will spend more than \$50,000 than their total FF&E budget on **beds alone**. The Applicants have grossly understated this estimated cost.
- Applicants provide no start-up expense estimates. Regardless of the fact that it is an existing IL community there will have to be significant staff hiring and training happening before the actual conversion to an ACH. The Applicants should have estimated what this cost will be (as it will be associated with the adult care home and **not** the IL community) and accounted for it in their financial projections. The Applicants in Section IX demonstrated availability of funds **only** for the estimated working capital requirements of \$405,250. They have not demonstrated the availability of funds to fund staff training, marketing, supply purchases, etc. that are all expenses that will be attributable to the opening and operation of the proposed adult care home and not the IL community.
- Applicants failed to inflate expenses 3.5% per year per CON instructions. The Applicants used an incorrect or outdated application form which included instructions to "assume all current charges and rates will not be inflated to future operating years." However, per a phone conversation with Martha Frisone on August 14th, 2015, Liberty was informed that all applicants **should** inflate expenses in future operating years. Per Ms. Frisone, the skilled nursing CON application form was changed some time ago and instructs applicants not to inflate charges or expenses from year to year. However, Ms. Frisone then stated that the ACH application form, to her knowledge, has always instructed applicants to inflate expenses 3.5% per year. The correct application form reads, "Assume that all costs subject to inflation (direct and indirect) will increase 3.5% per year, unless otherwise stated on the table for Projected Reimbursement Rates." There were no alternative directions stated on the table for Projected Reimbursement Rates. Therefore the Applicants have understated expenses in Years 2 and 3.
- Applicants projected to be reimbursed at near the maximum level according to their proposed PCS reimbursement rates. Applicants state the projected PCS rates are based on their existing facilities, however Arbor Landing will not be like the other affiliated facilities. PCS reimbursement depends on a patient's acuity level, the higher the acuity, higher the reimbursement. The Applicants themselves stated that the initial forty (40) patients they are anticipating opening with are independent living residents receiving some assistance through home care. These are independent residents and are by definition very **low acuity** and will not require the high level of care needed to achieve the very high PCS rates that the Applicants have projected. The Applicants provided no other justification or support other than affiliated, but very different, existing ACH facilities in other parts of the state and has given no justification of these rates with respect to the actual Brunswick County population it proposes to serve.

- Applicants failed to supply substantial financial assumptions. Applicants state “All financial assumptions are contained in Exhibit 41” (page 88). In Exhibit 41, Applicants provided two years of balance sheets and income statements for the existing **Independent Living** community, but failed to explain why or show how the financial history of this IL community is relevant and reasonable in being the sole assumptions used to project revenues and expenses in an **adult care home**.

Exhibit 1
Map of existing and proposed
facilities

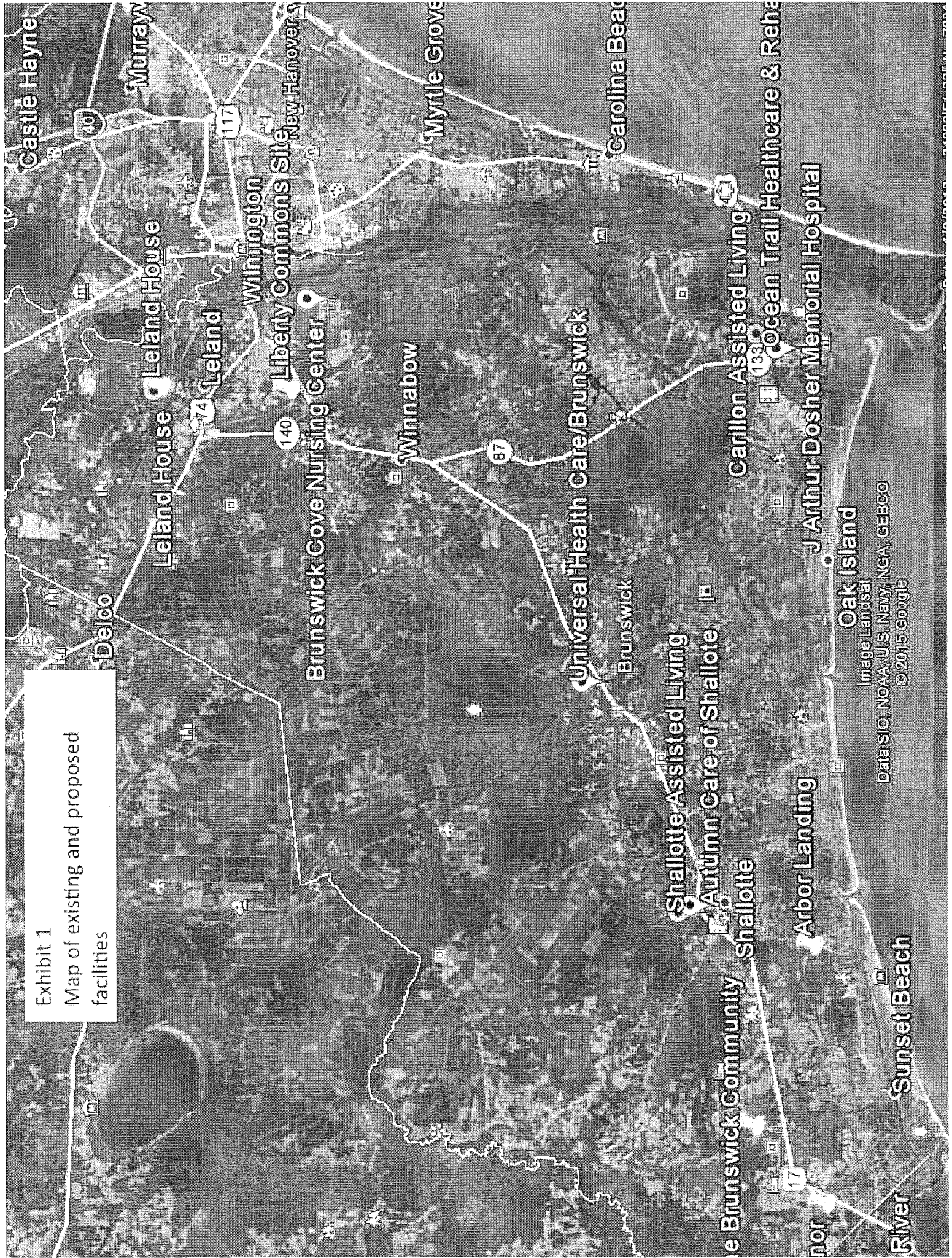


Image Landsat
Data SIO, NOAA, U.S. Navy, NGA, GEBCO
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Exhibit 2: Table VII.3 with Annual Salaries

TABLE VII.3 -- PROPOSED STAFF IN SECOND FULL FEDERAL FISCAL YEAR
 SECOND FULL FEDERAL FISCAL YEAR
 10/1/2019 through 9/30/2020

	Annual Salary	Hourly Consultant Fee	Adult Care Home (excluding special care units)		Adult Care Home Care Unit (specify)		TOTAL FACILITY	
			FTEs	Annual Consultant Hours	FTEs	Annual Consultant Hours	FTEs	Annual Consultant Hours
Routine Services								
Medical Director								
Director of Nursing								
ADON								
Staff Develop Coord								
MDS Nurse								
AL Supervisor	\$38,750		0.50					
RNs	\$47,362		1.90					
Ventilator RNs								
LPNs	\$38,750		4.20					
Centif Nursing Assist	\$18,164		30.80					
Med Techs	\$23,681		11.20					
Ward Secretary								
Medical Records								
Pharmacy Consult								
Other (specify)								
Dietary								
Licensed Dietician								
Food Service Supervisor								
Cooks								
Dietary Aides								
Other (specify)								
Social Work Services								
Social Services Director								
Social Services Assist								
Social Work Consultant								
Other (specify)								
Activity Services								
Activity Director	\$25,834		1.00					
Activity Assistant								
Activity Consultant								
Other (specify)								
Housekeeping/Laundry								
Housekeeping Supervisor	\$32,292		1.00					
Laundry Supervisor								
Housekeeping Aides	\$17,155		5.60					
Laundry Aides	\$17,155		2.80					
Other (Specify)								

