ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS
C = Conforming
CA = Conditional
NC = Nonconforming
NA = Not Applicable

DECISION DATE: June 14, 2012

PROJECT ANALYST: Michael J. McKillip
SECTION CHIEF: Craig R. Smith

PROJECT I.D. NUMBER: G-8788-12 / Hospice of Rockingham County, Inc. / Convert two hospice residential beds to two hospice inpatient beds for a total of 5 hospice inpatient beds and 3 hospice residential beds / Rockingham County

REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

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

Hospice of Rockingham County, Inc. **[HRC]** operates an 8-bed hospice facility located in Wentworth with 3 hospice inpatient beds and 5 hospice residential beds. The applicant proposes to convert two hospice residential beds to two hospice inpatient beds, for a total of 5 hospice inpatient beds and 3 hospice residential beds upon completion of the project.

The 2012 State Medical Facilities Plan (SMFP) identifies a need determination for two new hospice inpatient beds in Rockingham County. The applicant proposes to convert no more than two hospice residential beds to hospice inpatient beds. Thus, the application is conforming to the need determination in the 2012 SMFP.

Additionally, Policy GEN-3 of the 2012 SMFP is applicable to this review. Policy GEN-3: Basic Principles states:

> *"A certificate of need applicant applying to develop or offer a new institutional health service for which there is a need determination in the North Carolina State Medical Facilities Plan shall demonstrate how the project will promote safety and quality in the delivery of health care services*

while promoting equitable access and maximizing healthcare value for resources expended. A certificate of need applicant shall document its plans for providing access to services for patients with limited financial resources and demonstrate the availability of capacity to provide these services. A certificate of need applicant shall also document how its projected volumes incorporate these concepts in meeting the need identified in the State Medical Facilities Plan as well as addressing the needs of all residents in the proposed service area."

Maximize Healthcare Value

In Section III.3, page 42, the applicant states the following regarding how the proposal maximizes healthcare value:

"The proposed project will maximize healthcare value based on several factors including:

- *Minimal capital cost for the project*
- *Expand access to inpatient beds to reduce delays in admission and unnecessary length of stay in local hospitals*
- *Controlling expenses*
- *Developing and cross training highly productive and flexible staff*
- *Continue to maintain and upgrade building systems and lighting to maximize energy efficiency*
- *Continue to provide charity care*

As discussed in Sections VIII and XI of the application, the capital cost for the project is minimal because HRC requests approval to convert tow existing residential beds into inpatient beds. This approach maximized healthcare value because it responds to the needs of the community with existing resources and will not increase the overall facility-related costs or interest expense."

The applicant adequately demonstrates that proposed project will maximize health are value.

Promote Safety and Quality

In Section III.3, page 41, the applicant states the following with regard to how the proposal will promote safety and quality:

"Hospice of Rockingham County is administratively and clinically organized to promote safety and quality within the inpatient hospice facility. HRC has implemented and maintains a board-approved Performance Improvement Program that focuses on the efficient delivery of high quality care. This program systematically collects and analyzes data regarding pain control, infection control, patient and family satisfaction, staff education, staff competencies, safety and risk management, medical records review, service statistics and financial information. Data is reviewed monthly by the Quality Improvement Committee to identify trends and determine methods to improve services and quality of care.

> *HRC is accredited by the Accreditation Commission for Health Care. … Benchmarking data and reports from state and national hospice organizations are utilized by HRC to compare and evaluate organization performance and develop performance measures."*

Quality Assessment and Performance Improvement Program policies and procedures are included in Exhibit 15. The applicant adequately demonstrates that proposed project will promote safety and quality.

Promote Equitable Access

In Section III.3, page 42, the applicant states the following with regard to how the proposal will promote equitable access:

> *"HRC will continue to provide care to the medically underserved including Medicare, Medicaid, and indigent patients. Consistent with the historical utilization, the proposed two additional inpatient beds will often serve the elderly population. Patients who meet the hospice criteria for admission will be admitted regardless of race, creed, ethnic origin, age, gender, sexual orientation, DNR status, or ability to pay. Also, the proposed two additional inpatient beds will be used to promote more timely and equitable access with no disparate treatment among various populations."*

The applicant provides the admission policies and procedures in Exhibit 7. The applicant adequately demonstrates that medically underserved groups will have equitable access to the proposed services. See also Criterion 13.

Projected Volumes Incorporate GEN-3 Concepts

The applicant adequately demonstrates the need for the proposal. The applicant demonstrates that projected volumes for the proposed hospice facility incorporate the basic principles in meeting the needs of patients to be served. See Criteria (3) and (5). Consequently, the application is consistent with Policy GEN-3. In summary, the applicant is conforming to the need determination in the 2012 SMFP and is consistent with Policy GEN-3. Therefore, the application is conforming with this criterion.

(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, handicapped persons, the elderly, and other underserved groups are likely to have access to the services proposed.

C

Hospice of Rockingham County, Inc. **[HRC]** operates an 8-bed hospice facility located in Wentworth with 3 hospice inpatient beds and 5 hospice residential beds. The applicant

proposes to convert two hospice residential beds to two hospice inpatient beds, for a total of 5 hospice inpatient beds and 3 hospice residential beds upon completion of the project.

Population to be Served

In Section III.11, page 48, the applicant projects that 100 percent of its patients in the first two years of operation following completion of the proposed project will originate from Rockingham County. The applicant states its projected patient origin is based on historical patient origin at the existing facility for the most recent nine months prior to submission of the application. The applicant adequately identified the population projected to be served.

Demonstration of Need

In Section III.1, page 36, the applicant provides a table showing the projected utilization of HRC's hospice inpatient beds and hospice residential beds for the first three years of operation following completion of the proposed project, which is summarized below:

Projected HRC Utilization October 1, 2012 – September 30, 2015

	PY1: 10/1/12-9/30/13	**PY2: 10/1/13-9/30/14**	**PY3: 10/1/14-9/30/15**
Inpatient Hospice Beds			
Inpatient Hospice Patients	229	243	257
Average Length of Stay	6.00	6.50	6.50
Days of Care	1,374	1,578	1,672
Average Daily Census	3.76	4.32	4.58
Number of Beds	5	5	5
Annual Occupancy Rate	**75.2%**	**86.44%**	**91.63%**
Residential Hospice Beds			
Inpatient Hospice Patients	59	60	60
Average Length of Stay	15.1	15.1	15.1
Days of Care	889	898	907
Average Daily Census	2.4	2.4	2.4
Number of Beds	3	3	3
Annual Occupancy Rate	**81.19%**	**82.00%**	**82.82%**

In Section III.1, pages 22-32, HRC describes the factors which it states supports the need for the project, which include the utilization of existing hospice providers as evidenced by data reported in the 2012 SMFP (p. 23), the lack of other geographically accessible hospice providers for Rockingham County residents (pp. 24-25), demographic factors specific to Rockingham County (pp. 25-28), and the high historical utilization of HRC (pp 29-32).

In Section III.1, pages 33-37, the applicant describes the assumptions and methodology used to project the number of patient days to be provided at HRC during the first three years of operation as follows:

"HRC's projections for future years' utilization are based on the most recent calendar Year 2011 utilization statistics. For the current year, October 1, 2011 to September 30, 2012, the projection is simply based on the actual utilization for the most recent calendar year. The proposed project is not expected to increase the inpatient bed capacity in support of increased utilization until late summer or early fall of 2012…."

On page 34, the applicant lists the assumptions for the utilization projections as follows:

"Total Hospice Patients Served for the three periods FY 2009, FY 2010 and FY 2011 had a CAGR of 1.4%.
Projections for Total Patients Served for Current Fiscal Year (Oct. 1, 20122 to Sept. 30, 2012) and future years are based on 1.4% annual growth.
Total Hospice Admissions for the three periods FY 2009, FY 2010 and FY 2011 had a CAGR of 2.2%.
Projections for Total Hospice Admissions for Current Fiscal Year (Oct. 1, 2011 to Sept. 30, 2012) and future years are based on 2.2% annual growth.
Projections for Total Hospice Admissions YR 1, YR 2, and YR 3 are based on 3% annual growth based on increased inpatient bed capacity.
Total Hospice Deaths for Current YR is based on three year historical average of 90 percent of Total Hospice Admissions.
Total Hospice Deaths in Yrs 1, 2 and 3 are based on 90.5%, 91.0% and 91.5% of total Hospice admissions as patients are timely admitted and do not die in the hospitals.
Total Hospice Discharges for Current YR, YR 1, YR 2 and YR 3 are based on three year historical average 7.7 percent of admissions….

Key assumptions for inpatient hospice utilization include a 6 percent annual growth in admissions and increasing average length of stay. The 6 percent growth is reasonable because it is more conservative than the 8 percent CAGR for the number of hospice inpatients over the previous 3 years. HRC expects the average length of stay for inpatient hospice to increase from the present 5.3 to 6.5 [days] *by Year 2 due to improved access and reduced delays….*

Hospice of Rockingham County is convinced that the utilization projections are based on reasonable and conservative assumptions due to multiple factors:

- *Rockingham County's aging population has elevated disease incidence rates and high mortality rates.*
- *The availability of three inpatient hospice beds and five residential beds since 2008 has enabled HRC to provide a full scope of hospice services resulting in higher overall admissions and number of patients served.*

- *Referrals to HRC are expected to continue to increase as more patients and families obtain a greater understanding of the benefits of hospice and learn about the Hospice Home.*
- *Hospice of Rockingham County receives a high number of direct referrals from the hospitals because hospice home care is not a viable option due to the unavailability of a caregiver at home.*
- *Hospice referrals and admissions to inpatient beds have increased dramatically during the past year. For the most recent 7 months, the inpatient occupancy has ranged between 102 percent and 129 percent.*
- *The waiting list for admission to HRC's inpatient hospice beds has been a concern. If these patients had adequate access to inpatient beds, their timely admission would increase the overall average length of stay."*

In Section IV.1, page 50, the applicant provides tables showing the historical utilization of HRC's existing hospice inpatient and hospice residential beds for the most recent 12 months prior to submission of the application, which are summarized below:

HRC Hospice Inpatient Bed Utilization for CY2011

Calendar Year 2011	Duplicated Patients*	Patient Days of Care	# Licensed Beds	Occupancy Rate
January	17	92	3	99%
February	17	90	3	107%
March	11	94	3	101%
April	9	46	3	51%
May	17	79	3	85%
June	16	85	3	94%
July	23	120	3	129%
August	18	95	3	102%
September	20	104	3	116%
October	21	113	3	122%
November	28	122	3	136%
December	19	99	3	106%
Total	216	1,139	3	104%
Average	18	95	3	104%

HRC Hospice Residential Bed Utilization for CY2011

Calendar Year 2011	Duplicated Patients*	Patient Days of Care	# Licensed Beds	Occupancy Rate

January	4	28	5	18%
February	4	32	5	23%
March	3	25	5	16%
April	3	21	5	14%
May	7	52	5	34%
June	7	59	5	39%
July	13	101	5	65%
August	16	129	5	83%
September	14	114	5	76%
October	11	84	5	54%
November	13	105	5	70%
December	18	139	5	90%
Total	112	889	5	49%
Average	11	74	5	49%

*On page 50, the applicant states, *"Some number of patients are duplicated because they are carried over from the previous month. Also, some patients that were originally admitted to inpatient hospice level may transition to residential hospice level of care within the same month."*

As shown in the table above, the applicant's three existing hospice inpatient beds operated at 104 percent of capacity in the most recent 12-month period (CY2011). Therefore, the applicant's utilization projections for the hospice inpatient beds is supported by its historical utilization of HRC's existing hospice inpatient beds. Also, the applicant projects an average annual occupancy rate of 86 percent for the 5 hospice inpatient beds (three existing beds and two proposed beds), and an average annual occupancy rate of 82 percent for the three remaining hospice residential beds, in the second operating year following completion of the project, which exceeds the utilization threshold required in 10A NCAC 14C .4003.

In summary, the applicant's projected utilization is reasonable based on the assumptions and methodology provided. The applicant adequately identifies the population it proposes to serve and adequately demonstrates the need to develop the two additional hospice inpatient beds. Therefore the application is conforming to this criterion.

(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, handicapped persons, and other underserved groups and the elderly to obtain needed health care.

C

HRC operates an 8-bed hospice facility located in Wentworth with 3 hospice inpatient beds and 5 hospice residential beds. The applicant proposes to convert two hospice residential beds to two hospice inpatient beds, for a total of 5 hospice inpatient beds and 3 hospice residential beds upon completion of the project. Therefore, the applicant proposes to reduce

the number of hospice residential beds from 5 beds to 3 beds upon completion of the project. In Section III.6, page 44, the applicant states

> *"For the previous 12 months, occupancy of the current five residential beds at HRC has averaged 55 percent. The average daily census for the residential beds in the previous year has been 2.74 patients. Following completion of the project, patients in Rockingham County will continue to have access to the three residential beds at HRC, which are projected to have an annual occupancy of 93 percent in Year 3 following completion of the project."*

In Section III.7, pages 45-46, the applicant states

> *"The proposed change from five residential beds to three residential beds will not infringe on patients' access to residential care. The proposed project will not reduce or eliminate hospice residential services because the five hospice inpatient beds can be used to accommodate either inpatients or residential care patients. Any patient who migrates from inpatient status to residential care status can receive services in any of the eight beds. … The current severe shortage of hospice inpatient beds and high utilization causes the utilization data to be distorted at times of peak census. Historical data for the previous year shows that for most months, the average daily occupancy rate for the hospice residential beds was usually 2 to 3 patients. When the three existing hospice inpatient beds are at or above 100 percent capacity (September 2011 through December 2011) then the high demand for inpatient services causes the residential census and occupancy to be higher. In these high occupancy months, many of the patients that are counted as residential patients are actually receiving inpatient level care but are only being billed for the residential level of service due to the unavailability of licensed inpatient beds. … The utilization projections for the facility in Section IV demonstrate that the proposed mix of five hospice inpatient beds and three hospice residential beds will provide the correct mix of bed capacity to meet the needs of the service area population."*

In Section IV.1, page 50, the applicant provides tables showing the historical utilization of HRC's five existing hospice residential beds for the most recent 12 months prior to submission of the application, which are summarized below:

HRC Hospice Residential Bed Utilization for CY2011

Calendar Year 2011	Duplicated Patients*	Patient Days of Care	# Licensed Beds	Occupancy Rate

January	4	28	5	18%
February	4	32	5	23%
March	3	25	5	16%
April	3	21	5	14%
May	7	52	5	34%
June	7	59	5	39%
July	13	101	5	65%
August	16	129	5	83%
September	14	114	5	76%
October	11	84	5	54%
November	13	105	5	70%
December	18	139	5	90%
Total	112	889	5	49%
Average	11	74	5	49%

*On page 50, the applicant states, *"Some number of patients are duplicated because they are carried over from the previous month. Also, some patients that were originally admitted to inpatient hospice level may transition to residential hospice level of care within the same month."*

As shown in the table above, the applicant's five existing hospice residential beds operated at 49 percent of capacity in the most recent 12-month period (CY2011). Also, the applicant projects an average annual occupancy rate of 83 percent for the three remaining hospice residential beds in the third operating year of the proposed project.

The applicant adequately demonstrates that the needs of the population presently served will be met adequately by the proposed conversion of two hospice residential beds to two hospice inpatient beds. Therefore, the application is conforming to this criterion.

(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

In Section III.13, page 49, the applicant describes the alternatives considered in the development of the proposed project. The application is conforming to all applicable statutory and regulatory review criteria. See Criteria (1), (3), (3a), (5), (6), (7), (8), (13), (14), (18a) (20) and 10A NCAC 14C .4000. The applicant adequately demonstrates the proposal is its least costly or most effective alternative, and the application is conforming with this criterion subject to the following conditions:

1. **Hospice of Rockingham County, Inc. shall materially comply with all representations made in its certificate of need application.**

2. **Hospice of Rockingham County, Inc. shall convert two hospice residential beds to two hospice inpatient beds upon completion of this project.**

3. **Hospice of Rockingham County, Inc. shall be licensed for a total of 8 hospice beds comprised of 5 hospice inpatient beds and 3 hospice residential beds upon completion of this project.**

4. **Hospice of Rockingham County, Inc. shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Certificate of Need Section in writing prior to the 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

In Section VIII.1, page 78, the applicant projects that the total capital cost of the project will be $20,000. In Section IX.1, the applicant states there will be no start-up expenses or initial operating expenses required for the project. In Section VIII.5, page 79, the applicant states the capital cost of the project will be financed with accumulated reserves. Exhibit 18 of the application contains a letter dated March 1, 2012 from the Treasurer, Board of Trustees, for HRC, which states

> *"As the Treasurer and Member of the Board of Trustees of Hospice of Rockingham County, Inc., I am writing regarding the financing of the Certificate of Need ("CON") project application to add two inpatient hospice beds by converting two residential beds. The hospice facility was constructed in 2007 and meets all applicable licensure and construction standards. Consequently, our CON project budget is $20,000 to provide a contingency amount for unforeseen conditions. … As seen on page 6 of the September 30, 2011 financial statements (included in the CON Exhibits), shows $514,797.78 for the line item Cash and Cash Equivalents. Furthermore, the statement shows $2,961,167.33 in Unrestricted Assets. Hospice of Rockingham County, Inc. is committed to fund the CON project amount of $20,000 from cash and cash equivalents."*

Exhibit 19 contains the financial statements for HRC for the year ending September 30, 2011. As of September 30, 2011, HRC had cash and cash equivalents of $515,000. The applicant adequately demonstrates the availability of sufficient funds for the capital needs of the proposed project.

In Form B of the pro forma financial statements, HRC projects revenues will exceed expenses during each of the first three years of operation following completion of the project, as shown in the table below.

	FY2013	**FY2014**	**FY2015**
Revenues	$1,105,572	$1,248,014	$1,217,934

Expenses	$1,078,018	$1,096,269	$1,117,850
Net Profit (Loss)	$27,555	$151,745	$100,084

In Section X.3, page 108, the applicant projects the reimbursement rates/charges for the first three years of operation of the proposed hospice facility, as shown in the following table.

Projected Per Diem Charges for HRC Hospice Inpatients and Respite

Payment Source by Care Level	FY2013	FY2014	FY2015
Hospice Inpatient			
Private Pay	640.37	643.57	646.79
Commercial Insurance	424.00	424.00	424.00
Medicare	640.37	643.57	646.79
Medicaid	640.37	643.57	646.79
Respite Care	150.15	150.90	151.65
Hospice Residential Care			
Private Pay	120.00	120.00	120.00
Commercial Insurance	120.00	120.00	120.00

On page 87, the applicant states the following assumptions regarding their projected charges:

> *"Inpatient Private Pay, Medicare, Medicaid, Respite Rates and Charges are projected to increase by 0.5% per year. … Inpatient Commercial Rates and Charges are projected to remain unchanged. … Hospice Residential for Private Pay, Commercial Insurance are projected to remain unchanged."*

In summary, the applicant adequately demonstrates the availability of sufficient funds for the proposed facility and adequately demonstrates that the financial feasibility of the proposed project is based on reasonable projections of costs and charges. Consequently, the application is conforming to this criterion.

(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

Hospice of Rockingham County operates the only hospice inpatient and residential facility in Rockingham County. The 2012 State Medical facilities Plan (2012 SMFP) includes a Hospice Inpatient Bed Need Determination for two additional hospice inpatient beds in the Rockingham County Service Area. The applicant proposes to develop two hospice inpatient beds by converting two existing hospice residential beds. The applicant does not propose to develop more hospice inpatient beds than are determined to be needed in the service area. With the exception of the two additional hospice inpatient beds for which there is a need determination in the 2012 SMFP, the applicant does not propose any new services or capacity. The applicant's three licensed hospice inpatient beds operated in excess of 100 percent of capacity in CY2011. Furthermore, the applicant provided 1,139 patient days of care in its three hospice inpatient beds in CY2011, which would be equivalent to an average annual occupancy rate of 62.4 percent for a 5-bed unit [1,139/(5 X 365) = 1,139/1,825 =

62.4%], which is just below the required utilization in 10A NCAC 14C .4003(a)(2). Thus, an increase of just 48 patient days of care at HRC, or about 8 more patients, would meet the required standard. As such, the applicant adequately demonstrates the need for its proposal. The applicant adequately demonstrates that the proposed project would not result in the unnecessary duplication of existing or approved health service capabilities or facilities. Consequently, the application is conforming to this criterion.

(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

In Section VII, page 72, the applicant provides the proposed staffing for HRC in the second operating year following completion of the project. The applicant proposes no additional staffing as a result of the proposed project. In Section VII.5, page 74, the applicant projects the number of direct care staff. The applicant projects that a minimum of two staff members will be on duty at all times. In Section VII.6, page 76, the applicant projects to provide 7.25 nursing hours per patient day (NHPPD) for inpatient services [11,448 nursing hours/ 1,578 hospice inpatient days of care = 7.25 NHPPD]. The applicant adequately demonstrates the availability of resources, including health manpower and management personnel, for the provision of the proposed hospice services. Therefore, the application is conforming with this criterion.

(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.

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In Section II.3, pages 17-18, the applicant states that HRC currently provides all the necessary ancillary services, including social services, dietary consultation, chaplaincy services, volunteer services, physical therapy, occupational therapy, speech therapy, medical equipment, and pharmacy. Exhibits 8-12 contain letters from existing ancillary service providers to HRC expressing their support for the project and their intention to continue providing services to HRC. In Section V.2, page 56, the applicant states that HRC currently has transfer agreements with area healthcare providers, including Annie Penn Memorial Hospital, Morehead Memorial Hospital, Moses H. Cone Memorial Hospital, and North Carolina Baptist Hospital. Exhibit 5 contains letters of support from Dr. John Hall expressing his intention to continue as the Medical Director for HRC. The applicant adequately demonstrates that necessary ancillary and support services will be available and that the proposed services will be coordinated with the existing health care system. Therefore, the application conforms 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

(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.

NA

In Section XI.7, page 121 and in Section VIII the applicant documents that there are no construction costs associated with the proposed project to convert one bed from hospice residential care to hospice inpatient care.

(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 handicapped persons, 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 VI.2, page 61, the applicant provides the payer mix during FFY2011 for the existing HRC hospice facility, as shown in the table below.

Payer Category	Hospice Patients	Hospice Patient Days of Care
Medicare	84.73%	88.25%
Private Insurance	7.89%	6.80%
Medicaid	5.09%	2.71%
Self Pay/Other	2.29%	2.24%
Total	**100.0%**	**100.0%**

The Division of Medical Assistance (DMA) maintains a website which offers information regarding the number of persons eligible for Medicaid assistance and estimates of the percentage of uninsured for each county in North Carolina. The following table illustrates those percentages as of June 2010 and CY2008-2009, respectively. The data in the table was obtained on May 1, 2012. More current data, particularly with regard to the estimated uninsured percentages, was not available.

	Total # of Medicaid Eligibles as % of Total Population	Total # of Medicaid Eligibles Age 21 and older as % of Total Population	% Uninsured CY 2008-2009 (Estimate by Cecil G. Sheps Center)
County			
Rockingham	20.0%	9.3%	19.0%
Statewide	**17.0%**	**6.7%**	**19.7%**

The majority of Medicaid eligibles are children under the age of 21. This age group does not utilize the same health services at the same rate as older segments of the population, particularly the services offered by the applicant.

Moreover, the number of persons eligible for Medicaid assistance may be greater than the number of Medicaid eligibles who actually utilize health services. The DMA website includes information regarding dental services which illustrates this point. For dental services only, DMA provides a comparison of the number of persons eligible for dental services with the number actually receiving services. The statewide percentage of persons eligible to receive dental services who actually received dental services was 48.6% for those age 20 and younger and 31.6% for those age 21 and older. Similar information is not provided on the website for other types of services covered by Medicaid. However, it is reasonable to assume that the percentage of those actually receiving other types of health services covered by Medicaid is less than the percentage that is eligible for those services.

The Office of State Budget & Management (OSBM) maintains a website which provides historical and projected population data for each county in North Carolina. In addition, data is available by age, race or gender. However, a direct comparison to the applicants' current payer mix would be of little value. The population data by age, race or gender does not include information on the number of elderly, minorities or women utilizing health services. Furthermore, OSBM's website does not include information on the number of handicapped persons.

Annual data provided by the Carolinas Center for Hospice and End of Life Care reports that hospice patients in North Carolina had the following payor mix during FFY09.

Payer Category	Hospice Patients	Hospice Patient Days of Care
Medicare	85.00	90.90%
Medicaid	6.70%	4.00%
Commercial Insurance	5.20%	3.60%
Private Pay and Indigent	3.10%	1.50%
Total	**100.0%**	**100.0%**

Source: The Carolinas Center for Hospice and End of Life Care.

In Section VI.4, page 64, the applicant provides a table comparing the race and ethnicity for patients at HRC in 2010 and with 2009 data for North Carolina, which is summarized below:

Hospice Patients by Race and Ethnicity

	HRC 2010	North Carolina 2009*
Race:		
White/ Caucasian	88.09%	78.30%
Black/ African American	10.80%	15.00%
Other Race	0.55%	5.40%
American Indian or Alaskan Native	0.55%	0.90%
Asian, Hawaiian, Other Pacific Islander	0.00%	0.30%
Total	**100.0%**	**100.0%**
Ethnicity		
Hispanic or Latino Origin	0.55%	5.60%
Non-Hispanic or Latino Origin	99.45%	94.40%
Total	**100.0%**	**100.0%**

*Source: The Carolinas Center for Hospice and End of Life Care.

In Section VI.4, page 63, the applicant states, *"Hospice of Rockingham County offers inpatient palliative care to their patients without regard to age, gender, nationality, race, creed, sexual orientation, disability, diagnoses or ability to pay."* Exhibit 7

contains a copy of the HRC admission policies and procedures. The applicant adequately demonstrates that medically underserved populations currently have adequate access to hospice services provided by HRC. Therefore, the application is conforming with 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 handicapped persons to programs receiving federal assistance, including the existence of any civil rights access complaints against the applicant;

C

In Section VI.9 page 67, the applicant states that there have been no such complaints filed against HRC. Therefore, 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 VI.3, page 63, the applicant provides the projected payor mix for inpatient services for the second year of operation at HRC (FY2014), as shown in the table below.

Payer Category	Hospice Patients	Hospice Patient Days of Care
Medicare	85.00%	90.90%
Medicaid	6.70%	4.00%
Commercial Insurance	5.20%	3.60%
Private Pay and Indigent	3.10%	1.50%
Total	**100.0%**	**100.0%**

The projected payer mix is consistent with the statewide hospice payor mix provided in the FY2009 annual report from The Carolinas Center for Hospice and End of Life Care. The applicant adequately demonstrates that medically underserved groups will be adequately served by the proposed hospice facility. Therefore, the application is conforming with 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 VI.8, pages 65-66, the applicant adequately demonstrates the range of means by which a person will have access to the hospice facility; therefore, 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 V.1(a), page 56, the applicant states

> *"HRC has training agreements with the Elon University for Social Work Program, wake Forest University Baptist for its Medical School and the University of North Carolina at Greensboro for its Nursing Program. HRC will continue to provide students of these schools with opportunities to learn and gain valuable clinical experience."*

Exhibit 17 contains a copy of a training program affiliation agreement between HRC and UNC-Greensboro. The applicant adequately demonstrates that the facility will accommodate the clinical 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

See Sections II, III, V, VI and VII. In particular, see Section V.7, pages 59-60, in which the applicant discusses the impact of the project as it relates to promoting cost-effectiveness, quality and access. The information provided by the applicant in those sections is reasonable and credible and adequately demonstrates that the expected effects of the proposal on competition include a positive impact on cost-effectiveness, quality and access to hospice services in Rockingham County. This determination is based on the information in the application, and the following:

- The applicant adequately demonstrates the need to convert two hospice residential beds into two hospice inpatient beds at the existing hospice facility, and that it is a cost-effective alternative;
- The applicant has and will continue to provide quality services; and
- The applicant has and will continue to provide adequate access to medically underserved populations.

Therefore, the application is conforming to this criterion.

(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

According to files in the Acute and Home Care Licensure and Certification Section in the Division of Health Service Regulation, no incidents have occurred at HRC within the eighteen months immediately preceding the date of the decision for which any sanctions or penalties related to quality of care were imposed by the State. Therefore, the application is conforming to this criterion.

(21) Repealed effective July 1, 1987.

(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.

C

The application is conforming to all applicable Criteria and Standards for Hospice Inpatient Facilities and Hospice Residential Care Facilities 10A NCAC 14C .4000. The specific criteria are discussed below.

10A NCAC 14C .4002 INFORMATION REQUIRED OF APPLICANT

(a) An applicant proposing to develop hospice inpatient facility beds or hospice residential care facility beds shall complete the application form for Hospice Inpatient and Hospice Residential Care Services.

-C- The applicant used the correct application form.

(b) An applicant proposing to develop hospice inpatient facility beds or hospice residential care facility beds shall provide the following information:

(1) the projected annual number of hospice patients, admissions, deaths, and other discharges, for each level of care (i.e., respite care, hospice residential care and hospice inpatient care), to be served in the facility in each of the first three years following completion of the project and the methodology and assumptions used to make the projections;

-C- In Section III.1, pages 34-35, the applicant provides the projected number of hospice inpatient, residential and respite admissions, deaths, and other discharges to be served in HRC in each of the first three years following completion of the project as shown in the table below. The methodology and assumptions used to develop the projections are provided in Section III.1 pages 29-36, and Section IV.2, page 52. See Criterion (3) for discussion.

HRC Projections by Level of Care

Level of Care	FY2013	FY2014	FY2015
Inpatient			
Patients	229	243	257
Admissions	226	240	254
Residential			
Patients	59	60	60
Admissions	58	59	59
Respite			
Patients	11	11	11
Admissions	11	11	11
Total Hospice			
Patients	404	410	415
Admissions	380	391	403
Deaths	344	356	369
Discharges	29	30	31

(2) the projected annual number of hospice patients, admissions, deaths, and other discharges for each level of care to be served by the applicant's licensed hospice agency in each of the first three years following completion of the project and the methodology and assumptions used to make the projections;

-C- In Section II.2, page 9, the applicant projects the annual number of hospice patients, admissions, deaths, and other discharges for total hospice agency operations in each of the first three years following completion of the project. The methodology and assumptions used to develop the projections are provided in Section II.2, page 9, Section III, pages 29-36 and Section IV, pages 52-55. See Criterion (3) for discussion.

(3) the projected annual number of patient care days, for each level of care (i.e., respite care, hospice residential care and hospice inpatient care), to be provided in each of the first three years of operation following completion of the project and the methodology and assumptions used to make the projections;

-C- In Section II.2, page 10, the applicant shows projected annual number of patient care days for the inpatient, residential and respite levels of care to be provided in each of the first three years of operation, as shown in the table below. The methodology and assumptions used to develop the projections are provided in Section III.1, pages 29-36. See Criterion (3) for discussion.

HRC Projected Patient Care Days

Care Level	Year 1 FY2013	Year 2 FY2014	Year 3 FY2015
Inpatient	1,374	1,578	1,672
Residential	889	898	907
Respite	63	63	63

(4) the projected average length of stay (ALOS) based on admissions to the applicant's facility, for each level of care, (i.e., respite care, hospice residential care and hospice inpatient care) and the methodology and assumptions used to make the projections;

-C- In Section II.2, page 10, the applicant provides the projected average length of stay (ALOS) for the inpatient, residential, and respite levels of care, as shown in the table below:

HRC Average Length of Stay (ALOS)

Care Level	Year 1 FY2013	Year 2 FY2014	Year 3 FY2015
Inpatient	6.0	6.5	6.5
Residential	15.07	15.07	15.07
Respite*	5.7	5.7	5.7

*Note: In the table in Section II.2, page 10, the applicant erroneously shows the ALOS for respite patients as 13.91 days. However, in the table in Section III.1, page 33, the applicant calculates its actual ALOS for respite patients for the most recent 12-month period as 5.7 days. Further, the applicant assumes an ALOS of 5.7 days for respite patients for its subsequent utilization projections in the table on page 35, and in the table on page 36. Also, the applicant's projected ALOS of 5.7 days for respite patients corresponds to the applicant's projected number of respite patients and respite patient days of care.

The methodology and assumptions used to develop the projections are provided in Section III.1, pages 29-36.

(5) the projected readmission rate, for each level of care, (i.e., respite care, hospice residential care and hospice inpatient care) and the methodology and assumptions used to make the projections;

-C- In Section II.2, page 10, the applicant states they anticipate no readmissions.

(6) the projected average annual cost per patient care day, by level of care (i.e., respite care, hospice residential care and hospice inpatient care) for each of the first three operating years following completion of the project and the methodology and assumptions used to project the average annual cost;

-C- In Section II.2, page 11, the applicant provides the projected average cost per patient day by level of care, as shown in the table below. In the pro forma financial statements, the applicant provides the assumptions used to project average annual cost.

Care Level	Year 1 FY2013	Year 2 FY2014	Year 3 FY2015
Inpatient	$520.49	$469.12	$453.74
Residential	$409.34	$396.44	$396.03

(7) documentation of attempts made to establish working relationships with sources of referrals to the hospice facility including copies of proposed agreements for the provision of inpatient care and residential care;

-C- In Section II.2, page 11, the applicant states, *"Hospice of Rockingham County has established excellent working relationships with physicians, hospitals and other providers in Rockingham County and surrounding areas "* Exhibit 3 contains a list of referral sources and Exhibit 4 includes copies of letters of support from area physicians and other healthcare providers.

(8) documentation of the projected number of referrals to be made by each referral source;

-C- In Section II.2, page 12, the applicant provides a table showing the number of referrals received from its existing referral sources in the most recent operating year, and the projected number of referrals from those referral sources for the first three operating years following completion of the proposed project. Therefore, the application is conforming to this rule.

(9) copies of the proposed contractual agreements, if the applicant is not a licensed hospice, with a licensed hospice or a licensed home care agency with a hospice designation on its license, for the provision of hospice services;

-NA- HRC is a licensed hospice.

(10) documentation of the projected number of patients to be referred for each payor type from the referring hospices, if the applicant is not a licensed hospice or if the applicant proposes to admit patients on a contractual basis; and

-NA- HRC is a licensed hospice.

(11) a copy of the admission policies, including the criteria that shall be used to select persons for admission to the hospice inpatient and residential care beds.

-C- Exhibit 7 contains copies of the applicant's admission policies.

10A NCAC 14C .4003 PERFORMANCE STANDARDS

(a) An applicant proposing to develop hospice inpatient facility beds or hospice residential care facility beds shall demonstrate that:

(1) the average occupancy rate of the licensed hospice beds, for each level of care, in the facility is projected to be at least 50 percent for the last six months of the first operating year following completion of the project;

-C- In Section IV.2(a), page 51, the applicant projects an average occupancy rate for the licensed beds for each level of care in excess of 50 percent for the last six months of the first operating year following completion of project.

(2) the average occupancy rate for the licensed hospice beds, for each level of care, in the facility is projected to be at least 65 percent for the second operating year following completion of the project; and

-C- In Section IV.2(a), page 51, the applicant projects an average occupancy rate for the licensed beds for each level of care in excess of 65 percent for the second operating year following completion of project.

(3) if the application is submitted to address the need for hospice residential care beds, each existing hospice residential care facility which is located in the hospice service area operated at an occupancy rate of at least 65 percent for the 12 month period reported on that facility's most recent Licensure Renewal Application Form.

-NA- The applicant does not propose to add hospice residential care beds.

(b) An applicant proposing to add hospice inpatient facility beds to an existing hospice inpatient facility shall document that the average occupancy of the licensed hospice inpatient facility beds in its existing facility was at least 65 percent for the nine months immediately preceding the submittal of the proposal.

-C- In Section IV.1, page 50, the applicant reports an average occupancy rate for the licensed hospice inpatient beds of 104% for the nine months immediately preceding the submittal of the proposal.

(c) An applicant proposing to add residential care beds to an existing hospice residential care facility shall document that the average occupancy of the licensed hospice residential care beds in its existing facility was at least 65 percent for the nine months immediately preceding the submittal of the proposal.

-NA- The applicant does not propose to add residential care beds to an existing facility.

10A NCAC 14C .4004 SUPPORT SERVICES

(a) An applicant proposing to develop a hospice inpatient facility beds or hospice residential care facility beds shall demonstrate that the following services will be provided directly by the applicant or by a contracted hospice to the patient and the patient's family or significant others:

(1) nursing services;
(2) social work services;
(3) counseling services including dietary, spiritual, and family counseling;
(4) bereavement counseling services;
(5) volunteer services;
(6) physician services; and
(7) medical supplies.

-C- In Section II.2, page 14, the applicant states, *"All of the above-listed services are currently in place by hospice staff and existing resources as described in Section VII."* The applicant provides documentation that the services required in this rule are provided in Sections II.1 and VII, and Exhibits 8, 9, and 10.

(b) An applicant shall demonstrate that the nursing services listed in Paragraph (a) of this Rule will be available 24 hours a day, seven days a week.

-C- In Section VII.5, page 74, the applicant provides at staffing showing that nursing services will be available 24 hours a day, seven days a week.

(c) An applicant proposing to develop a hospice inpatient facility or a hospice residential care facility shall provide documentation that pharmaceutical services will be provided directly by the facility or by contract.

-C- In Exhibit 10, the applicant provides a copy of a letter from Carolina Apothecary documenting that pharmaceutical services will be provided.

(d) For each of the services listed in Paragraphs (a) and (c) of this Rule which are proposed to be provided by contract, the applicant shall provide a copy of a letter from the proposed provider which expresses its interest in working with the proposed facility.

-C- In Section II.2, page 14, the applicant states that dietary counseling, physician services, and medical supplies will be provided by contract. Exhibits 5, 8, and 10 contain copies of letters

from a physician, registered dietitian, and medical supplies vendor documenting the provider's interest in working with the facility.

10A NCAC 14C .4005 STAFFING AND STAFF TRAINING

(a) An applicant proposing to develop a hospice inpatient facility beds or hospice residential care facility beds shall document that staffing will be provided in a manner consistent with G.S. 131E, Article 10.

-C- In Section II.2, page 15, the applicant states that the staffing will comply with the requirements of 131E, Article 10. In Section VII, the applicant provides staffing information.

(b) The applicant shall demonstrate that:

(1) the staffing pattern will be consistent with licensure requirements as specified in 10A NCAC 13K, Hospice Licensing Rules;

-C- In Section II.2, page 15, the applicant states, "*Please see Section VII, page 73 to 75 for staffing information that verifies that the staffing pattern will be consistent with 10A NCAC 13K Licensing Rules.*"

(2) training for all staff will meet the requirements as specified in 10A NCAC 13K .0400, Hospice Licensing Rules.

-C- In Section II.2, page 30, applicant states, "*Please see Exhibit 12 for documentation that training for all staff will meet the requirements as specified in 10A NCAC 13K .0400, Hospice Licensing Rules.* Exhibit 12 contains documentation of policies related to the staff orientation and training process.

10A NCAC 14C .4006 FACILITY

An applicant proposing to develop new hospice inpatient facility beds or new hospice residential care facility beds shall document:

(1) that a home-like setting shall be provided in the facility;

-C- In Section II.2, page 16, the applicant states that HRC is an existing facility and the facility was designed and constructed in 2008 to provide a home-like setting.

(2) that the services will be provided in conformity with applicable state and local laws and regulations pertaining to zoning, physical environment, water supply, waste disposal and other relevant health and safety requirements; and

-C- In Section II.2, page 16, the applicant states that HRC's existing services are provided in conformity with applicable state and local laws and regulations pertaining to zoning, physical environment, water supply, waste disposal and other relevant health and safety requirements.

(3) for new facilities, the location of the site on which the services are to be operated. If the site is neither owned by nor under option to the applicant, the applicant must provide a written commitment to pursue acquiring the site if and when the approval is granted, must specify a secondary site on which the services could be operated if acquisition efforts relative to the primary site ultimately fail, and must demonstrate that the primary and secondary sites are available for acquisition.

-NA- HRC is not proposing a new facility in this application.