

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

DECISION DATE: September 27, 2013
PROJECT ANALYST: Fatimah Wilson
SECTION CHIEF: Craig R. Smith

PROJECT I.D. NUMBER: N-10141-13 / Scottish Pines Land Company, LLC and Century Care of Laurinburg, Inc. / Acquire 50 NF beds from Scotland Memorial Hospital (Edwin Morgan Center) and relocate these beds to Scottish Pines Rehabilitation and Nursing Center and construct a 50 bed addition / Scotland 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

Scottish Pines Land Company, LLC (Lessor) (“**SPLC**”), and Century Care of Laurinburg, Inc. (Lessee) propose to acquire 50 nursing facility (NF) beds from Scotland Memorial Hospital (Edwin Morgan Center), relocate these beds to Scottish Pines Rehabilitation and Nursing Center and construct a 50-bed addition. The Edwin Morgan Center, Inc. and Scotland Memorial Hospital, Inc. have agreed to relinquish and transfer the nursing facility beds to Scottish Pines Rehabilitation and Nursing Center, as documented in a memorandum of understanding provided by the applicants in Exhibit 2. Scottish Pines Rehabilitation and Nursing Center (formerly Century Care of Laurinburg) is a 99-bed replacement facility pursuant to Project I.D. #N-8612-10 submitted by Westminster Presbyterian Church Mission, Inc. and Century Care of Laurinburg, Inc. According to files in the Nursing Home Licensure and Certification Section, the facility was licensed effective August 3, 2013. Scottish Pines Rehabilitation and Nursing Center is located at 621 Johns Road, in Laurinburg, NC, approximately 2.6 miles (4 minutes) from the Edwin Morgan Center. The applicants propose to construct a 50-bed addition to the existing 99-bed facility which will feature a ‘neighborhood’ design. The facility will have a total of 54-semi-private rooms (108-beds) and 41-private rooms (41-beds) for a total of 149-beds. All rooms will

have private bathrooms, with the private rooms including a shower. The applicants are not proposing an Alzheimer's care unit. There are no need determinations applicable to the review of this application; however, there are three policies in the 2013 State Medical Facilities Plan (SMFP) that are applicable. Policy NH-6, Policy NH-8 and Policy Gen-4 are applicable and are discussed in further detail below.

Policy NH-6: Relocation of Nursing Facility Beds

“Relocations of existing licensed nursing facility beds are allowed only within the host county and to contiguous counties currently served by the facility, except as provided in Policies NH-4, NH-5 and NH-7. Certificate of need applicants proposing to relocate licensed nursing facility beds to contiguous counties shall:

- 1. Demonstrate that the proposal shall not result in a deficit in the number of licensed nursing facility beds in the county that would be losing nursing facility beds as a result of the proposed project, as reflected in the North Carolina State Medical Facilities Plan in effect at the time the certificate of need review begins, and*
- 2. Demonstrate that the proposal shall not result in a surplus of licensed nursing facility beds in the county that would gain nursing facility beds as a result of the proposed project, as reflected in the North Carolina State Medical Facilities Plan in effect at the time the certificate of need review begins.”*

The applicants propose to relocate the 50 existing nursing facility beds within Scotland County. Therefore, the proposal will not change the current nursing facility bed inventory in Scotland County. Therefore, the application is conforming with Policy NH-6.

Policy NH-8: Innovations in Nursing Facility Design

“Certificate of need applicants proposing new nursing facilities, replacement nursing facilities, and projects associated with the expansion and/or renovation of existing nursing facilities shall pursue innovative approaches in care practices, work place practices and environmental design that address quality of care and quality of life needs of the residents. These plans could include innovative design elements that encourage less institutional, more home-like settings, privacy, autonomy and resident choice, among others.”

In Section II.4, pages 18-19, Section III.3, page 28 and supplemental information, the applicants describe the plan for innovative approaches in care practices, work place practices and environmental design that address quality of care and quality of life needs of the residents. On page 18 and supplemental information, the applicants state:

“Innovative Approaches in Care Practices

The facility onto which the 50 bed addition will be constructed will include in the new building ‘It’s Never Too Late.’ This is an innovative computer software program that connects residents to the outside world. The program provides resident specific programs for entertainment and improvement of motor and cognitive skills, in

addition to providing residents participating in therapy programs an incentive to work longer. These programs allow the residents to feel like they are outdoors riding a bike, walking, rowing a boat, etc. Two of these systems will be located in the therapy gym and the others will be available in the common areas on both the long term and short term sides of the facility. The hardware includes a large touchscreen, an adaptive keyboard, and an adaptive mouse. The It's Never Too Late software provides easy and safe access to email and the web and allows activities to be specifically adapted to individual residents. The use of these systems enriches communication with family and friends, enhances independence, and improves socialization and quality of life. The new facility will allow maximum participation of this tool due to the large designated therapy area planned.

...

All Century Care facilities use an innovate approach to improve quality called QAPI (Quality Assessment and Performance Improvement). Our QAPI teams include all staff levels and all disciplines, including a therapy representative, a pharmacy representative, and the medical director. The QAPI teams meet monthly, and more as needed at the facility. They use root cause analysis to identify potential deficient practices that affect resident care or resident quality of life. The team works together to create appropriate interventions and positive outcomes. The plan is communicated to all staff. Established monitoring practices and subsequent changes to the plan as needed are also an important part of our QAPI protocols.

The Edwin Morgan Center uses an electronic medical records (EMR) system, but it does not interface with the pharmacy. The EMR system at Scottish Pines interfaces with our pharmacy. This reduces the amount of time nurses have to spend on documentation and therefore allows them to spend more times on resident care and family communication. The interface also reduces the potential for medication errors through instant communication with the pharmacy.”

On pages 18, the applicants state:

“Innovations in Nursing Facility Design

Relocation of these beds and construction of the bed addition will allow Century Care to enhance the delivery of care for the existing Edwin Morgan Center residents and provide additional newly constructed living/rehabilitation options for the medically underserved.”

On pages 19, the applicants state:

“The facility onto which the 50 bed addition will be constructed, and the 50 bed addition, will be built with short halls that feed into living areas for a more ‘home like’ environment, allowing for increased opportunities for social interactions between residents, families, visitors and staff. Increased social interaction has been proven to assist in the reduction of depression and anxiety of long-term care

residents resulting in enhanced health/quality outcomes and a subsequent positive impact on resident's quality of life. ...”

On pages 28, the applicants state:

“The project proposes an addition to a new replacement facility that is currently under construction and will have short halls, rather than long institutional halls, providing for a more home like setting. This will also facilitate patient care by providing easier access to staff which will allow the needs of the residents to be met in a timely manner.

...

The rooms in the new addition (approximately 259 square feet) are significantly larger than the size of the rooms in the existing 50 bed facility, which average approximately 170 square feet. In addition there will be larger common areas including private dining and group dining rooms dispersed throughout the facility, rather than one large ‘institutional’ dining room, providing a more home like feeling for the residents. All rooms will have private bathrooms with the private rooms including a shower. Several large private living rooms will be incorporated into the design, along with 2 family rooms. Administrative offices will be much larger than in the existing building allowing for easier private discussions with family members regarding financial matters when necessary.

Edwin Morgan Center has a 130 square foot therapy area. The facility onto which the 50 bed addition will be constructed will have a 1600 square foot therapy area, allowing for enhanced patient dignity and privacy. The new facility will also have a large, separate activity room that will allow the facility to maximize its use of the innovative computer software It’s Never Too Late. A dedicated theater room will be included in the new facility.”

On page 28, the applicants state:

“Innovations in Workplace Practices

Innovative workplace practices that will include an online learning system for staff with monthly in-services in direct care areas related to resident care issues such as infection control. Dedicated medication aides are also employed which provides licensed nursing staff additional time for assessment, treatment and documentation. A large staff lounge is included in the proposed new design to further enhance the workplace environment.”

The applicants adequately demonstrate that the proposed project incorporates innovative approaches in care practices, work place practices and environmental design that address quality of care and quality of life needs of the residents. Therefore, the application is consistent with Policy NH-8 in the 2013 SMFP.

Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities

“Any person proposing a capital expenditure greater than \$2 million to develop, replace, renovate or add to a health service facility pursuant to G.S. 131E-178 shall include in its certificate of need application a written statement describing the project’s plan to assure improved energy efficiency and water conservation.

In approving a certificate of need proposing an expenditure greater than \$5 million to develop, replace, renovate or add to a health service facility pursuant to G.S. 131E-178, the Certificate of Need Section shall impose a condition requiring the applicant to develop and implement an Energy Efficiency and Sustainability Plan for the project that conforms to or exceeds energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes. The plan must be consistent with the applicant’s representation in the written statement as described in paragraph one of Policy GEN-4.

Any person awarded a certificate of need for a project or an exemption from review pursuant to G.S. 131E-184 are required to submit a plan of energy efficiency and water conservation that conforms to the rules, codes and standards implemented by the Construction Section of the Division of Health Service Regulation. The plan must be consistent with the applicant’s representation in the written statement as described in paragraph one of Policy GEN-4. The plan shall not adversely affect patient or resident health, safety or infection control.”

In Section III.4, page 30, the applicants state:

“The design of the proposed addition will incorporate materials and equipment which enhance the containment of utilities and energy costs. The R-values for the building envelope’s insulation will be increased to an R-19 in the walls and an R-38 in the ceiling. These values are greater than or equal to the requirements of the North Carolina Energy Conservation Code. The exterior windows are thermally broken sashes with insulated glass for U-value of 0.38 which is also better than the requirement of the North Carolina Energy Conservation Code.

All HVAC equipment will be selected to obtain the maximum SEER rating in order to achieve energy efficiency. Energy recovery units are used to catch either the heat or cooling being exhausted from the structure and used to heat/cool the fresh make-up air entering the facility. Efficient lighting fixtures, low wattage bulbs and motion detection switches are used to conserve electricity costs. Flow restriction faucets, shower heads and low flush toilets are also used for water conservation. The building’s electric and heating/cooling performance is computer modeled with the United States Department of Energy Comcheck Program to verify the building envelop, HVAC and electrical systems exceed the National Energy Code prior to construction.”

In addition, in Exhibit 39 the applicants provide a May 24, 2013 letter signed by a licensed architect which states:

“Should a CON be awarded to Scottish Pines Rehabilitation and Nursing Center, we will to the best of our ability and knowledge develop a set of construction documents which comply with all applicable federal, state and local construction and licensure codes for this type of occupancy and building type.”

The applicants adequately demonstrate that the building design will assure improved energy efficiency and water conservation in the proposed replacement nursing facility. Therefore, the application is consistent with Policy GEN-4.

In summary, the application is consistent with Policy NH-6, Policy NH-8 and Policy GEN-4; therefore, the application is conforming to 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

Scottish Pines Land Company, LLC (Lessor) (“SPLC”), and Century Care of Laurinburg, Inc. (Lessee) propose to acquire 50 nursing facility (NF) beds from Scotland Memorial Hospital (Edwin Morgan Center), relocate these beds to Scottish Pines Rehabilitation and Nursing Center and construct a 50-bed addition. The Edwin Morgan Center, Inc. and Scotland Memorial Hospital, Inc. have agreed to relinquish and transfer the nursing facility beds to Scottish Pines Rehabilitation and Nursing Center, as documented in a memorandum of understanding provided by the applicants in Exhibit 2. Scottish Pines Rehabilitation and Nursing Center (formerly Century Care of Laurinburg) is a 99-bed replacement facility pursuant to Project I.D. #N-8612-10 submitted by Westminster Presbyterian Church Mission, Inc. and Century Care of Laurinburg, Inc. According to files in the Nursing Home Licensure and Certification Section, the facility was licensed effective August 3, 2013. Scottish Pines Rehabilitation and Nursing Center is located at 621 Johns Road, Laurinburg, NC, approximately 2.6 miles (4 minutes) from the Edwin Morgan Center. The applicants propose to construct a 50-bed addition to the existing 99-bed facility which will feature a ‘neighborhood’ design. The facility will have a total of 54-semi-private rooms (108-beds) and 41-private rooms (41-beds) for a total of 149-beds. All rooms will have private bathrooms, with the private rooms including a shower. The applicants are not proposing an Alzheimer’s care unit.

Population to be Served

In Section III.6 and Section III.7, pages 33-34, the applicants provide the current patient origin for both The Edwin Morgan Center and Century Care of Laurinburg and projected patient origin for the combined nursing facility as illustrated in the following tables:

Current Patient Origin

THE EDWIN MORGAN CENTER	
COUNTY	% OF TOTAL ADMISSIONS
Scotland	64.45%
South Carolina	13.33%
Robeson	8.90%
Hoke	4.44%
Anson	2.22%
Richmond	4.44%
Wake	2.22%
Total	100.00%

Current Patient Origin

CENTURY CARE OF LAURINBURG	
COUNTY	% OF TOTAL ADMISSIONS
Scotland	77.46%
Robeson	8.45%
Richmond	2.82%
Carteret	1.41%
South Carolina	9.86%
Total	100.00%

Projected Patient Origin

SCOTTISH PINES REHABILITATION & NURSING CENTER	
COUNTY	% OF TOTAL ADMISSIONS
Scotland	72.42%
Robeson	8.63%
Richmond	3.45%
Carteret	0.86%
Hoke	1.72%
Anson	0.86%
Wake	0.86%
South Carolina	11.20%
Total	100.00%

In Section III.7, page 35, the applicants state projected patient origin is based on the county of origin for the residents at the existing Century Care of Laurinburg and The Edwin Morgan Center, combining the residents by county of origin at each facility, and dividing by the total number of combined residents. The applicants adequately identify the population proposed to be served.

Need to Replace Facility

In Section III.1, pages 20-21, the applicants state the need for the proposed project is based on the inefficiency of a 50-bed nursing home. The applicants state:

“The largest driving force behind the decision to relocate these beds was the inefficiency of a 50 bed nursing home. In discussions with nursing home operators in North Carolina, most will tell you the ‘gold standard’ bed size for a nursing home is more or less than 120 beds. Less than 120 beds makes margins more difficult to achieve and more than 120 beds increases efficiency.

...

The Edwin Morgan Center is an antiquated model, built in 1974. The building has narrow corridors and small rooms, with limited storage space and little to no privacy. The facility has a very small therapy room.

There is no kitchen on site at the existing Edwin Morgan Center. This requires the residents to be offered minimal meal choices and little opportunity to correct ‘tray errors’ on a timely basis since the kitchen is located in the hospital. ...

There is no laundry on-site. Laundry has to be placed in bags and shipped off site, which sometimes requires CNAs to be taken away from their direct patient care duties to wash patient’s personal items. ...

There are no private showers in the Edwin Morgan Center and only two community bathing areas that house only 2 stalls. ...

The Edwin Morgan Center has one common space used for both dining and activities. ...”

In addition, on page 23, the applicants state:

“Scotland County’s projected 2018 population of individuals over 65 is expected to increase by approximately 14.04% over the 2013 population.

...

The 2013 State Medical Facilities Plan (SMFP) projects a bed surplus for 2016 of 55 beds in Scotland County. Using the same bed need assumptions as the SMFP and current population projections, a 42 bed surplus is projected in Scotland County by 2018. Although the current SMFP projects a 55 bed surplus in 2016, it is evident the aging population is increasing and the surplus projected in 2018 will likely continue to decrease or be eliminated over time.

...

Based on information received from the Scotland County Department of Social Services, there are 308 Medicaid recipients from Scotland County in nursing homes. There were 84 residents from Scotland County in The Edwin Morgan Center and Century Care of Laurinburg as of April, 2013. Based on licensure information provided by Scotia Village, there were a maximum of 20 Medicaid residents at any point in time at that facility during 2012. As such, approximately 204 (308-84-20) Medicaid residents from Scotland County reside in nursing facilities outside Scotland County.”

According to the Authorized Medicaid Eligibles by County Report (August 2013) from the Division of Medical Assistance (DMA), there were a total of 735 aged residents eligible for Medicaid in Scotland County. In the application and supplemental information provided by the applicants, the applicants state that there are 308 Medicaid recipients from Scotland County in nursing facilities, per a conversation with Theresa Jacobs, a Scotland County DSS employee responsible for adult Medicaid services. The applicants state that the number of out of county residents was estimated by subtracting the number of Scotland County Medicaid residents housed at The Edwin Morgan Center and Century Care of Laurinburg [84] from the number above [308], further reduced by the number of Medicaid recipients housed at Scotia Village, a Continuum Care Retirement Community (CCRC). The current occupancy for The Edwin Morgan Center is 44 residents, 29 of which are Medicaid recipients; and the current occupancy for Century Care of Laurinburg is 72 residents, or 72.7% (72 residents / 99 NF beds = 0.727 or 72.7%), a 2.2% increase within the first month of operation, 51 of which are Medicaid recipients [80]. Using the same methodology stated above by the applicants, the Project Analyst was able to estimate the current number of Medicaid residents from Scotland County who reside in nursing facilities outside the county, assuming that the number of Medicaid residents for Scotia Village [20] has remained constant [308 – 80 – 20 = 228]. Therefore, approximately 228 Medicaid residents from Scotland County who are Medicaid eligible are residing in nursing facilities outside the county. A direct call to Scotland County DSS to verify the number of Medicaid recipients in nursing facilities in Scotland County and the number of out of county placements was not returned. It is evident from the statements above that there continues to be a need for the existing NF beds in Scotland County, particularly as it relates to the medically underserved population.

In addition, on page 19, the applicants discuss the development of an environment that meets future quality of care and quality of life needs. The applicants state:

“All resident rooms will be larger than those in the current Edwin Morgan Center with more common areas for socialization and interaction along with space for residents to visit privately with the family and hold celebrations as a family unit. The facility will have a larger therapy room with room for modern therapy equipment.

Resident rooms will be equipped with new furnishings, call bells, and updated equipment, thus enhancing the quality of care and accommodations for the physically challenged/handicapped residents. Interior design will provide a light, spacious, and attractive facility for all residents, without an institutional/hospital feeling.”

The applicants adequately identified the need to relocate the 50 NF beds to a new facility.

Projected Utilization

In Section IV.1, page 37, the applicants provide historical utilization for the Century Care of Laurinburg facility for the 9 months immediately preceding submittal of this application. See the following table:

**Historical Utilization of NF Beds
 July 1, 2012 – March 31, 2013**

CENTURY CARE OF LAURINBURG										
	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	TOTAL
Pt. Days	2,073	2,062	2,132	2,229	2,125	2,233	2,186	1,953	2,131	19,124
# Beds	99	99	99	99	99	99	99	99	99	99
Occupancy	67.55%	67.19%	71.78%	72.63%	71.55%	72.76%	71.23%	70.45%	69.44%	70.50%

The Project Analyst notes that the application was filed June 2013.

In Section III.1, page 22 and supplemental information, the applicants state that the former facility was underutilized mainly because the physical plant is approximately 35 years old and has issues that are expected with a building of this age, therefore, area residents have been attracted toward other facilities within Scotland County or even out of Scotland County for NF services.

In Section IV.2, page 40, the applicants state the first year of operation is projected to begin on October 1, 2014, which is the beginning of a federal fiscal year. On pages 40 – 41, the applicants project utilization for the 149 NF beds in the replacement facility, as shown in the following table:

**Scottish Pines Rehabilitation and Nursing Center
 Projected Utilization
 First Two Project Years (Oct. 1, 2014 – September 30, 2016)**

	1ST QUARTER	2ND QUARTER	3RD QUARTER	4TH QUARTER	TOTAL
First Full Project Year (FFY2015 – 10/1/2014 – 9/30/2015)					
Pt. Days	12,337	12,069	12,204	12,337	48,947
# Beds	149	149	149	149	149
Occupancy	90.00%	90.00%	90.00%	90.00%	90.00%
Second Full Project Year (FFY2016 – 10/1/2015 – 9/30/2016)					
Pt. Days	12,337	12,069	12,204	12,337	48,947
# Beds	149	149	149	149	149
Occupancy	90.00%	90.00%	90.00%	90.00%	90.00%

In Exhibits 12-13, the applicants provide population data dated May 1, 2013 from the Nielson Solution Center to illustrate population growth projections for Laurinburg and Scotland County as a whole.

Projected Total Population Growth Age 65+

COUNTY	2013 ESTIMATE	2018 PROJECTION	% GROWTH 2013 - 2018
Laurinburg	3,793	4,244	11.89%

Scotland County	5,263	6,002	14.04%
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Source: Nielsen Solution Center Data (Exhibits 12-13 pages 304, 313 and 333)

The data shows that the 65+ population of Laurinburg and Scotland County as a whole is projected to grow for the age 65 and older group, which is the age group that is more likely to use nursing facility services. Thus, it is reasonable to propose to relocate the 50 NF beds proposed in this application to the replacement Century Care of Laurinburg facility, where the beds could serve those persons who require nursing care services.

With regard to access to underserved groups, the applicants state the following on page 47,

“The percentage of Medicaid residents served in the county based on 9/30/12 cost report data is approximately 62%. The percentage of Medicaid residents served at Edwin Morgan Center for the year ended September 30, 2012 based on Medicaid cost report data was approximately 69%. This application proposes a Medicaid percentage of 75%. The applicants anticipate serving a greater percentage of Medicaid residents than the county average.”

According to the table in Section IV.1, page 44, the applicants propose that 36,710 nursing patient days (34,010 semi-private and 2,700 private) of the 48,947 total patient days for the facility will be occupied primarily by Medicaid patients [36,710 / 48,947 = 0.7499 or 75%]. The applicants demonstrate it will continue to provide adequate access to healthcare services to the same population it currently serves, which includes handicapped, elderly, and the underserved groups.

In summary, the applicants adequately identifies the population to be served, adequately demonstrates the need the population has for the relocation of the existing 50 NF beds 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. Furthermore, the applicants’ projected utilization is based on reasonable and supported assumptions. 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

The applicants propose to relocate 50 existing, licensed NF beds from an existing facility in Laurinburg (The Edwin Morgan Center) to a new replacement facility, Scottish Pines Rehabilitation and Nursing Center, formerly Century Care of Laurinburg, also in Laurinburg, approximately 2.6 miles away. The applicants project to serve the same population in the

replacement facility that is currently served in the existing facility. In Section III.5, page 32, the applicants state:

“All current Edwin Morgan Center residents will be offered the opportunity to transfer to the new facility.

...

There will be no negative impact on the ability of the residents in the county to obtain the same services in the future because the new beds will be located essentially ‘down the road’ from the existing Edwin Morgan Center. In addition a modern, new facility will become available to the medically underserved of Scotland County.”

In Section III.5 page 32, the applicants state:

“The applicants are not aware of any current residents that do not want to move; however, there is one other nursing facility in Scotland County. The current occupancy rate of this building would provide sufficient vacancy should a small number of current residents choose not to move to the new facility.”

The Project Analyst notes that the only other facility in Scotland County is Scotia Village, a continuum care retirement community (CCRC), which restricts admissions to nursing services to residents of their community.

The applicants demonstrate that the needs of the population presently served would be adequately met following the relocation of the NF 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.2(a), pages 25 - 26, the applicants describe the other alternatives considered, including: 1. maintain the status quo, 2. construct a replacement facility for the 50 beds and 3. allow the 50 beds to be returned to inventory. In Section III.2(a), pages 25-26, the applicants explain why they selected the proposed project over the other alternatives. The applicants state:

“Relocate the Beds to the 99 Bed Building Currently Under Construction and Construct a 50 Bed Addition

This was quickly deemed to be the only workable alternative given Scotland Memorial Hospital’s desire to cease operating a nursing facility. Since the existing 99 [bed] building is currently under construction, it was easy to coordinate and discuss the potential addition with the architect and the contractor. The architect was able to design a cost effective addition that met the space needs for a new

building required by the applicants. This option allows additional 'provider of choice' beds to be available to the medically underserved of Scotland County.

As been previously stated, the existing building is an outdated structure not designed with modern amenities or with the privacy features afforded new buildings. Additionally, long term financial viability is questionable because of the 50 bed nursing facility.

The applicants decided relocation of the beds and construction of an addition was the most appropriate alternative, not only from a health planning standpoint, but from a financial perspective. ...”

As previously stated by the applicants, nursing home operators in North Carolina believe that the “gold standard” bed size for a nursing home is more or less 120-beds. Less than 120 beds makes margins more difficult to achieve and more than 120-beds increases efficiency. Thus, maintaining the status quo or constructing a new 50-bed NF would not be a viable option. It is reasonable for the applicants to propose relocation of the 50 existing NF beds to a 99-bed replacement facility, located approximately 2.6 miles away, where patients would still have access to same the hospital and hospital services. The applicants state that because of the close proximity of the two locations, an argument can be made that for all practical purposes, the location of the 50-beds is changing only from the standpoint that they are going to be housed in a new physical plan.

Furthermore, the application is conforming to all other applicable statutory review criteria, and thus, is approvable. A project that cannot be approved cannot be an effective alternative.

In summary, the applicants adequately demonstrate that its proposal is the least costly or most effective alternative to meet the need. Therefore, the application is conforming to this criterion and approved, subject to the following conditions:

- 1. Scottish Pines Land Company, LLC and Century Care of Laurinburg, Inc. shall materially comply with all representations made in its certificate of need application.**
- 2. Scottish Pines Land Company, LLC and Century Care of Laurinburg, Inc. shall construct a 50-bed addition to Scottish Pines Rehabilitation and Nursing Center (formerly Century Care of Laurinburg) for a total licensed bed complement of no more than 149-beds upon completion of the project.**
- 3. Scottish Pines Land Company, LLC and Century Care of Laurinburg, Inc. shall take the necessary steps to de-license 50 NF beds at The Edwin Morgan Center following completion of the proposed bed addition at Scottish Pines Rehabilitation and Nursing Center.**
- 4. Scottish Pines Land Company, LLC and Century Care of Laurinburg, Inc. shall submit all patient charges and actual per diem reimbursement for each source of patient payment to the Certificate of Need at year end for each of the first two operating years following licensure of the beds in the new facility.**

5. **For the first two full federal fiscal years of operation following completion of the project, actual private pay charges shall not be increased more than 5% of the projected private pay charges provided in Section X of the application without first obtaining a determination from the Certificate of Need Section that the proposed increase is in material compliance with the representations made in the certificate of need application.**
 6. **Scottish Pines Land Company, LLC and Century Care of Laurinburg, Inc. shall receive Medicaid per diem rates allowed by the Division of Medical Assistance, under the NC State Plan Section .0102.**
 7. **Scottish Pines Land Company, LLC and Century Care of Laurinburg, Inc. shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Certificate of Need Section, in writing prior to issuance of the certificate of need.**
- (5) Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial feasibility of the proposal, based upon reasonable projections of the costs of and charges for providing health services by the person proposing the service.

C

In Section VIII, page 61, the applicants project the total capital expenditure for the proposed bed addition will be \$2,766,535, including \$238,510 in site costs, \$1,974,525 in construction contract costs, \$350,000 in equipment and furniture costs, \$100,000 in architect and engineering fees, \$35,000 in other consulting fees, and \$68,500 in other financing costs and interest. The applicants state on page 65 that there is no Section IX in this application, therefore, no start-up or initial operating expenses associated with the proposed project is applicable. In Section VIII.2, page 62, the applicants state the proposed project will be financed through a Commercial loan of \$2,250,000 and cash on hand of \$516,535.

In Exhibit 26, the applicants provide a June 6, 2013 letter from the Senior Vice President of Vantage South Bank, which states in part:

“We have had significant discussions with Scottish Pines Land Company about the feasibility of this project. We would be happy to consider lending up to \$2,250,000 to fund the project.”

In addition, in Exhibit 28 the applicants provide a June 7, 2013 letter from Gail Duncan, member/owner of Scottish Pines Land Company, LLC and the sole owner of Century Care Management, Inc. and Affiliates (management company), which states:

“As a member/owner of Scottish Pines Land Company, LLC, and as sole owner of Century Care Management, Inc. and Affiliates, I pledge to reserve approximately \$600,000 in cash or cash equivalents identified in the most recent financial statement

for Century Care Management, Inc. and Affiliates for construction of a 50 bed nursing facility addition in Scotland County.”

In Exhibit 29, the applicants provide the current and previous two financial statements for Century Care Management, Inc. and Affiliates. As of April 30, 2013, Century Care Management, Inc. and Affiliates had \$929,718 in cash and cash equivalents.

The applicants adequately demonstrate the availability of funds for the capital needs of the proposed project.

In Section X, pages 66-67, the applicants provide a table to illustrate current rates and charges, for the period April 1, 2013– June 30, 2013 for both Century Care of Laurinburg and The Edwin Morgan Center. See the following tables:

**Former Century Care of Laurinburg
 Reimbursement Rates/Charges as of June 30, 2013
 (Nursing Facility Beds)**

PAYOR SOURCE	PRIVATE ROOM	SEMI-PRIVATE / WARD ROOM
Private Pay	\$175.00	\$165.00
Medicare *	\$362.55	\$362.55
Medicaid	\$165.67	\$165.67
Other (Hospice)	\$165.67	\$165.67

*Medicare: charge should be the weighted average of the facility’s RUG rates.

**The Edwin Morgan Center
 Reimbursement Rates/Charges as of June 30, 2013
 (Nursing Facility Beds)**

PAYOR SOURCE	PRIVATE ROOM	SEMI-PRIVATE ROOM
Private Pay	\$175.00	\$165.00
Medicare*	\$345.42	\$345.42
Medicaid	\$162.03	\$162.03
Other (Hospice)	\$162.03	\$162.03

*Medicare: charge should be the weighted average of the facility’s RUG rates.

In Section X.3, page 69, the applicants project the following rates and charges by payor source for the facility in the first two full federal fiscal years (October 1, 2014 – September 30, 2016) of operation following completion of the proposed project.

PAYOR SOURCE	PRIVATE ROOM	SEMI-PRIVATE ROOM
Private Pay	\$195.00	\$185.00
Medicare*	\$362.55	\$362.55
Medicaid	\$163.41	\$163.41
Other (Hospice)	\$163.41	\$163.41

*Medicare: charge should be the weighted average of the facility’s RUG rates

In the projected revenue and expense statement, the applicants project that revenues will exceed operating costs in each of the first two years of operation. The assumptions used by

the applicants in preparation of the pro formas are reasonable. See Criterion (3) for discussion of utilization projections.

In summary, the applicants adequately demonstrated the availability of funds for the capital needs of the proposal and adequately demonstrate that the financial feasibility of the proposal is based on reasonable projections of cost and revenues. Therefore, the applicants are conforming to the 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

Scottish Pines Land Company, LLC (Lessor) (“**SPLC**”), and Century Care of Laurinburg, Inc. (Lessee) propose to acquire 50 nursing facility (NF) beds from Scotland Memorial Hospital (Edwin Morgan Center), relocate these beds to Scottish Pines Rehabilitation and Nursing Center and construct a 50-bed addition. The Edwin Morgan Center, Inc. and Scotland Memorial Hospital, Inc. have agreed to relinquish and transfer the NF beds to Scottish Pines Rehabilitation and Nursing Center, as documented in a memorandum of understanding provided by the applicants in Exhibit 2. Scottish Pines Rehabilitation and Nursing Center (formerly Century Care of Laurinburg) is a 99-bed replacement facility pursuant to Project I.D. #N-8612-10 submitted by Westminster Presbyterian Church Mission, Inc. and Century Care of Laurinburg, Inc. According to files in the Nursing Home Licensure and Certification Section, the facility was licensed effective August 3, 2013. Scottish Pines Rehabilitation and Nursing Center is located at 621 Johns Road, Laurinburg, NC, approximately 2.6 miles (4 minutes) from the Edwin Morgan Center. These two nursing facilities operate all of the NF beds in Scotland County that are not located in restricted admissions community care retirement center (CCRC). The applicants propose to construct a 50-bed addition to the replacement 99-bed facility that will feature a ‘neighborhood’ design. The facility will have a total of 54-semi-private rooms (108-beds) and 41-private rooms (41-beds) for a total of 149-beds. All rooms will have private bathrooms with the private rooms including a shower. The applicants are not proposing an Alzheimer’s care unit. See Criterion (3) for discussion, which is incorporated by reference as if fully set forth herein. Furthermore, a review of the most recent data available, as reported in the 2013 LRAs for all three nursing facilities in Scotland County shows the following utilization for FY 2012:

**2013 LRA Utilization Data
 Scotland County Nursing Facilities**

FACILITY	NUMBER OF BEDS	DAYS AVAILABLE	TOTAL NF DAYS	% UTILIZATION
The Edwin Morgan Center	50	18,250	16,622	91.1%
Century Care of Laurinburg	99	36,135	25,078	69.4%
Scotia Village	58	21,170	19,995	94.4%
County Average	207	75,555	61,695	81.7%

Source: 2013 LRA (October 1, 2011-September 30, 2012)

The current occupancy for The Edwin Morgan Center is 44 residents, 29 of which are Medicaid recipients; and the current occupancy for Century Care of Laurinburg is 72 residents, or 72.7% (72 residents / 99 NF beds = 0.727 or 72.3%), a 2.2% increase within the first month of operation, 51 of which are Medicaid recipients [80]. Using the same methodology previously stated by the applicants, the Project Analyst was able to estimate the current number of Medicaid residents from Scotland County who reside in nursing facilities outside the county, assuming that the number of Medicaid residents for Scotia Village has remained constant [308 – 80 – 20 = 228]. Therefore, approximately 228 Medicaid residents from Scotland County are residing in nursing facilities outside the county. It is evident from the statements above that there continues to be a need for the existing NF beds in Scotland County, particularly as it relates to the medically underserved population.

The data from the LRAs show that the Scotland County average utilization for nursing services was over 81% at the time the 2013 License Renewal Applications were completed. Furthermore, in Section III and supplemental information, the applicants state that the existing Century Care of Laurinburg facility operated at an occupancy rate of 70.5% over the previous nine months. The applicants project over 90% utilization in the first two years of operation of the 149-beds, considering historical utilization of both facilities and the population growth projections for Scotland County. Given the historical utilization of NF beds in Scotland County combined with the projected population growth and concentration of persons age 65 and over, the applicants reasonably project sufficient utilization for the 149-bed NF. Consequently, the applicants adequately demonstrate the proposed project would not result in the unnecessary duplication of existing or approved health service capabilities or facilities in Scotland County. Therefore, 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, pages 58-59, the applicants project the following staffing for the second full federal fiscal year of operation.

**Projected Staff FTEs
 Operating Year 2
 October 1, 2014-September 30, 2016**

Positions	FTEs	Annual Consultant Hours
Medical Director		216
Director of Nursing	1.00	
Assistant Director of Nursing	1.00	
Staff Development Coordinator	1.00	
MDS Nurse	2.00	
RNs	4.20	
Medication Aide	4.20	

LPNs	22.00	
Certif. Nursing Assistant	50.00	
Ward Secretary	1.00	
Medical Records	1.00	
Pharmacy Consultant		96
Social Services Director	1.00	
Activity Director	1.00	
Activity Assistant(s)	2.00	
Maintenance Supervisor	1.00	
Administrator	1.00	
AP/Payroll	1.00	
Admissions Coordinator	1.00	
Business Office manager	1.00	
Total	96.4	312

Note: Dietary, Housekeeping/Laundry and Ancillary Services are provided by an outside contractor. The maintenance director is also provided by an outside contractor.

The applicants propose a staff of 96.4 full-time equivalent (FTE) positions. The applicants project 8,736 RN hours (4.2 RNs X 2,080 annual hours = 8,736 RN hours), 45,760 LPN hours (22.0 LPNs X 2,080 annual hours = 45,760 LPN hours), and 97,500 CNA hours (50.0 X 1,950 annual hours = 97,500 CAN hours) in Project Year 2 [(8,736 + 45,760 + 97,500) / 48,947 total patient days = 3.11 nursing hours per patient day].

In Section VII, pages 52-59, the applicants document that they propose to provide registered nurse (RN) and licensed practical nurse (LPN) coverage 24 hours per day, 7 days per week and project nursing hours per patient day (NHPPD) in excess of the minimum nursing staff requirements as established in the North Carolina Rules for the Licensing of Nursing Homes. Adequate costs for the direct care nursing positions proposed by the applicants in Table VII.3 are budgeted in the pro forma financial statements. The applicants document in Section V.3 and Exhibit 18 that Dr. Bradley Bethel is the current and proposed medical director for the Century Care of Laurinburg facility. The applicants adequately demonstrate the availability of sufficient health manpower and management personnel to provide the proposed services, including a medical director. Therefore, the application is conforming to 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.

C

Exhibit 19 contains letters from physicians supporting the proposal to relocate 50 NF beds from The Edwin Morgan Center to Scottish Pines Rehabilitation and Nursing Center in Scotland County. Exhibit 20 contains a letter from the Scotland County Department of Social Services and the President and CEO of Scotland Health Care System, expressing support for the proposed project. In Section II.3, pages 17 - 18, the applicants list the ancillary and support services

that will continue to be made available once the 50-beds are relocated. In addition, on pages 17-18, the applicants provide a table to illustrate that physical therapy, speech therapy and occupational therapy will also be available to the patients. The applicants adequately demonstrate that Scottish Pines Rehabilitation and Nursing Center will provide or make arrangements for the necessary ancillary and support services, and that the proposed services will be coordinated with the existing health care system. Therefore, the application is conforming 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.

C

The applicants propose to construct an 18,805 square foot 50-bed addition to the existing 56,703 sq.ft NF for a total of 75,508 sq.ft. The 50-bed addition will consist of a 24-bed wing (12 semi-private rooms/24-beds) and a 26-bed wing (4 private and 11 semi-private rooms/22-beds) and will incorporate a 'neighborhood' environment. The facility will have a total of 54-semi-private rooms (108-beds) and 41-private rooms (41-beds) for a total of 149-beds. All rooms will have private bathrooms, with the private rooms including a shower. The

facility will also include a large court yard covered porch for resident use. In Section VIII.1, page 61, the applicants project the total construction cost for the project will be \$2,310,525. Exhibit 39 contains a May 24, 2013 letter from the architect which states:

“We examined the feasibility of several design alternatives for the construction of a 50 bed nursing addition to the Scottish Pines Rehabilitation and Nursing Center in Laurinburg, NC. Based on our selected design (18,805 S.F.), I would estimate that the square foot cost for new construction will be approximately \$105.00 for a total new building budget of \$1,974,525.00.

The total site development costs including grading, fill, compaction, paving and site utilities will be approximately \$236,000. The total architectural fee will be \$100,000. Thus the total development costs for the building and site improvements along with architectural fee would be approximately \$2,310,525.00.”

The Architect’s statement of the \$105.00 cost per square foot for construction concurs with the projected construction cost provided by the applicants in Section VIII. In Section XI.14, page 84, the applicants state that the construction of the replacement NF will incorporate efficient energy concepts in order to maintain energy efficient operations and contain utility costs.

- (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, pages 48-49, the applicants provide the FFY 2012 payor mix for Century Care of Laurinburg and The Edwin Morgan Center, which is illustrated in the following tables:

**Current Days as % of Total Days
 October 2011-September 2012
 Century Care of Laurinburg**

Private Pay	2.70%
Medicare	14.15%
Medicaid	77.87%
Other (Hospice)	5.28%
Total	100.00%

**Current Days as % of Total Days
 October 2011-September 2012
 The Edwin Morgan Center**

Private Pay	11.41%
Medicare	19.28%
Medicaid	69.31%
Total	100.00%

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 CY 2009, respectively. The data in the table was obtained on August 23, 2013. 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			
Scotland	30.0%	12.9%	12.9%
Statewide	17.0%	6.7%	19.7%

Data for Century Care of Laurinburg / The Edwin Morgan Center is not available on the DMA web site.

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 nursing facility services offered by Scottish Pines Rehabilitation and Nursing Center and The Edwin Morgan Center.

The DMA website also contains the *Medicaid Annual Report, for State Fiscal Year (SFY) 2008*, the most recent fiscal year for which this data are available. According to this report, the elderly and disabled Medicaid recipients in North Carolina comprised 29% of total Medicaid recipients. Additionally, there were 145,898 aged (age 65+) Medicaid recipients in SFY 2008, which comprised 8.5% of the total Medicaid eligibles in North Carolina [145,898 / 1,726,412 total eligibles = 0.0845]. In Harnett County, data is available for January-August CY 2013. The data shows that, for the first eight months of 2013, the aged comprised 6.8% of the total Medicaid eligibles in the County [5,822 aged / 85,175 total eligibles = 0.0684].

Medicaid Recipients by Eligibility category data compare North Carolina Medicaid recipients grouped by age for SFY 2008 with the general population of the entire state, as shown in the table below:

MEDICAID RECIPIENTS BY ELIGIBILITY CATEGORIES
--

VS. GENERAL POPULATION SFY 2008		
ELIGIBILITY CATEGORY	MEDICAID RECIPIENT	GENERAL POPULATION
Children (aged 5 – 20 years)	38%	24%
Adults (aged 21-64 years)	31%	57%
Children (aged birth-4 years)	21%	7%
Elderly (aged 65 and older)	10%	12%

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 Medicaid recipients receiving dental services was 48.6% for those aged 20 and younger in SFY 2010 (Scotland County’s percentage was 43.5% for those age 20 and younger) and it was 31.3% for those age 21 and older (Scotland County’s percentage was 31.2% 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. Provisional county level data on this website shows that Scotland County had a projected total population of 36,366 as of July 1, 2012. Fourteen percent [5,262] of the county’s total population was age 65 and older. Population estimates are available by age, race and gender by county; however a direct comparison to the applicants’ current payor 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 who utilize health services. Furthermore, OSBM’s website does not include information on the number of handicapped persons.

As of August 26, 2013, there is only one facility with NF beds in Scotland County, excluding hospitals and Continuing Care Retirement Communities (CCRCs) with NF beds. The following table illustrates the payor mix for residents who were eligible for Medicaid and Medicare in those facilities, as reported in the 2012 DMA Medicaid Cost Report Data provided by the applicants in Exhibit 11.

FY 2012 Scotland County Nursing Facility Payor Mix

FACILITY	NUMBER OF BEDS	TOTAL NF DAYS	MEDICAID DAYS AS % OF TOTAL	MEDICARE DAYS AS % OF TOTAL
Century Care of Laurinburg	99	25,066	77.8%	26.9%
The Edwin Morgan Center	50	16,597	69.3%	19.3%
County Average	149	41,663	73.6%	23.1%

*Source: Exhibit 11 (2012 DMA Medicaid Cost Report Data)

*All of the nursing facility beds in the facilities listed above are dually certified for participation in both Medicare and Medicaid programs.

As illustrated in the table above, 77.8% of the care provided to patients at Century Care of Laurinburg is to Medicaid recipients, and the Scotland County average percentage is 73.6%. Thus, Century Care of Laurinburg's percentage of Medicaid NF days exceeds Scotland County's average percentage of Medicaid NF days. The application is conforming to 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

Recipients of Hill-Burton funds were required to provide uncompensated care, community service and access by minorities and handicapped persons. In Section VI.4, page 50, the applicants state:

“A pre-admission payment or payment upon admission is not required except for patient liability or private pay for the current month.”

In Section VI.4, page 50, the applicants also state:

“Financial circumstances have no bearing on the resident status. A private pay patient that becomes Medicaid eligible will simply have their services paid for by the Medicaid program.”

In Exhibit 23, the applicants provide a copy of the existing admission agreement for Century Care of Laurinburg, which confirm the applicants' statements quoted above. Therefore, although the statements made by the applicants on page 50 refer to future admissions, it is reasonable to conclude that those same policies apply to past and present admissions.

In Section VI.5, page 50, the applicants state that no civil rights complaints have been filed within the last five years. 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 49, the applicants project the payor mix for the second full federal fiscal year (October 1, 2014 – September 30, 2015), as illustrated in the table below.

PAYOR	PATIENT DAYS AS % OF TOTAL DAYS
Private Pay	6.0%
Medicare	16.0%
Medicaid	75.0%
Other (Hospice)	3.0%
Total	100.0%

*Hospice Care in nursing facilities is a Medicaid Program.

The applicants demonstrate that the proposed nursing facility addition will provide adequate access to the medically underserved populations. Therefore, the application is conforming to this criterion. See also condition number 5 in Criterion (4).

- (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.6, page 51, the applicants state:

“Century Care (the replacement facility into which the 50 beds will be incorporated) is an existing facility and currently receives referrals from a number of sources including local physicians, local department of social services, and local hospitals. Examples of referral sources include the following: Cape Fear Valley Medical Center, Carolina Medical Center (at Union), Carolina Medical Center (Northeast), Carolinas Medical Center (Levine’s), First Health Moore Regional Hospital, First Health Richmond Memorial Hospital, Hospice of Scotland County, Marlboro Park Hospital, Sandhills Regional Medical Center, Scotland memorial Hospital, and UNC Healthcare System. Edwin Morgan Center uses essentially the same referral source network and these relationships will continue once the beds are relocated and the addition is complete.”

The applicants demonstrate a range of means by which a person would have access to the proposed services. 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, page 45, the applicants state:

“Richmond Community College and St. Andrews University plan on using Scottish Pines Rehabilitation and Nursing Center as a clinical training site.”

In Exhibit 16 the applicants provide a copy of letters to Richmond Community College and St. Andrews University requesting that the facility be considered for use as a clinical training site with these institutions. The applicants adequately demonstrate that the proposed project 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

Scottish Pines Land Company, LLC (Lessor) (“**SPLC**”), and Century Care of Laurinburg, Inc. (Lessee) propose to acquire 50 nursing facility (NF) beds from Scotland Memorial Hospital (Edwin Morgan Center), relocate these beds to Scottish Pines Rehabilitation and Nursing Center and construct a 50-bed addition.

Currently, there are a total of three nursing facilities in Scotland County. The table below shows the facilities and the occupancy rates as reported in the 2013 License Renewal Applications (LRAs) for those facilities:

**2013 LRA Utilization Data
 Scotland County Nursing Facilities**

FACILITY	NUMBER OF BEDS	TOTAL NF DAYS	% UTILIZATION
Century Care of Laurinburg	99	25,078	69.4%
The Edwin Morgan Center	50	16,622	91.1%
Scotia Village	90	19,995	94.4%
County Average	239	61,695	85.0%

*Information reported on the 2013 LRAs is from 2012 fiscal year.

In Section III.3, pages 29 - 30, Section V.6, pages 46-47, and supplemental information, the applicants discuss the impact of the proposed project on competition in the service area as it relates to promoting cost-effectiveness, quality and access to nursing facility services in Scotland County. See also Sections II, III, V, VI and VII where the applicants discuss the impact of the project on cost-effectiveness, quality and access nursing facility services in Scotland County.

The information provided by the applicants in those sections is reasonable and credible and adequately demonstrates that the expected effects of the proposal on competition in the service area include a positive impact on cost-effectiveness, quality and access to the proposed services. This determination is based on the information in the application and the following analysis:

- The applicants adequately demonstrate the need to relocate 50 NF beds and construct a 50-bed addition to the existing facility, and that it is a cost-effective alternative;
- The applicants have and will continue to provide quality services; and
- The applicants have and will continue to provide adequate access to medically underserved populations.

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 the files in the Nursing Home Licensure and Certification Section, DHSR, no incidents occurred within the eighteen months immediately preceding the date of this decision, for which any sanctions or penalties related to quality of care were imposed by the State on Century Care of Laurinburg. Therefore, the application is conforming with 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 Nursing Facility or Adult Care Home Services* promulgated in 10A NCAC 14C .1100. The specific criteria are discussed below.

.1101 INFORMATION REQUIRED OF APPLICANT

- (a) *An applicant proposing to establish new nursing facility or adult care home beds shall project an occupancy level for the entire facility for each of the first eight calendar*

quarters following the completion of the proposed project. All assumptions, including the specific methodologies by which occupancies are projected, shall be stated.

-NA- The applicants propose to relocate 50 existing NF beds.

- (b) *An applicant proposing to establish new nursing facility or adult care home beds shall project patient origin by percentage by county of residence. All assumptions, including the specific methodology by which patient origin is projected, shall be stated.*

-NA- The applicants propose to relocate 50 existing NF beds.

- (c) *An applicant proposing to establish new nursing facility or adult care home beds shall show that at least 85 percent of the anticipated patient population in the entire facility lives within a 45 mile radius of the facility, with the exception that this standard shall be waived for applicants proposing to transfer existing certified nursing facility beds from a State Psychiatric Hospital to a community facility, facilities that are fraternal or religious facilities, or facilities that are part of licensed continuing care facilities which make services available to large or geographically diverse populations.*

-NA- The applicants propose to relocate 50 existing NF beds.

- (d) *An applicant proposing to establish a new nursing facility or adult care home shall specify the site on which the facility will be located. If the proposed site is not owned by or under the control of the applicant, the applicant shall specify at least one alternate site on which the services could be operated should acquisition efforts relative to the proposed site ultimately fail, and shall demonstrate that the proposed and alternate sites are available for acquisition.*

-NA- The applicants propose to relocate 50 existing NF beds.

- (e) *An applicant proposing to establish a new nursing facility or adult care home shall document that the proposed site and alternate sites are suitable for development of the facility with regard to water, sewage disposal, site development and zoning including the required procedures for obtaining zoning changes and a special use permit after a certificate of need is obtained.*

-NA- The applicants propose to relocate 50 existing NF beds.

- (f) *An applicant proposing to establish new nursing facility or adult care home beds shall provide documentation to demonstrate that the physical plant will conform with all requirements as stated in 10A NCAC 13D or 10A NCAC 13F, whichever is applicable.*

.1102 PERFORMANCE STANDARDS

- (a) *An applicant proposing to add nursing facility beds to an existing facility, except an applicant proposing to transfer existing certified nursing facility beds from a State*

Psychiatric Hospital to a community 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 in which the new beds are to be operated was at least 90 percent.

-NA- In Section IV.1, page 37, the applicants state that the average occupancy of the Century Care of Laurinburg facility for the 9-months immediately preceding submittal of the application was 70.5%. In Section III.1, page 22 and supplemental information, the applicants state that the Century Care of Laurinburg facility was underutilized mainly because the physical plant was approximately 35 years old and there were functional issues associated with the building due to its age. Additionally, facilities often reduce patient census as they prepare to relocate to a new building. The replacement facility was licensed and operational as of August 3, 2013 (e.g. all of the patients have transferred from the former nursing facility to the new nursing facility). According to the applicants, as of September 6, 2013, the census for the replacement facility was 72 patients, or an occupancy rate of 72.7% (72 patients / 99 NF beds = 0.727, or 72.7%), a 2.2% increase within the first month of operation.

(b) *An applicant proposing to establish a new nursing facility or add nursing facility beds to an existing facility, except an applicant proposing to transfer existing certified nursing facility beds from a State Psychiatric Hospital to a community facility, shall not be approved unless occupancy is projected to be at least 90 percent for the total number of nursing facility beds proposed to be operated, no later than two years following the completion of the proposed project. All assumptions, including the specific methodologies by which occupancies are projected, shall be clearly stated.*

-C- In Section IV.2 page 40, the applicants state that the occupancy at the end of the second full federal fiscal year of operation is projected to be 90.0% as shown in the table below. A summary of the assumptions and methodology used to project occupancy are provided in Criterion (3) which is incorporated hereby as if fully set forth herein.

**Scottish Pines Rehabilitation and Nursing Center
 Projected Utilization
 First Two Project Years (Oct. 1, 2014 – September 30, 2016)**

	1 ST QUARTER	2 ND QUARTER	3 RD QUARTER	4 TH QUARTER	TOTAL
First Full Project Year (FFY2015 – 10/1/2014 – 9/30/2015)					
Pt. Days	12,337	12,069	12,204	12,337	48,947
# Beds	149	149	149	149	149
Occupancy	90.00%	90.00%	90.00%	90.00%	90.00%
Second Full Project Year (FFY2016 – 10/1/2015 – 9/30/2016)					
Pt. Days	12,337	12,069	12,204	12,337	48,947
# Beds	149	149	149	149	149
Occupancy	90.00%	90.00%	90.00%	90.00%	90.00%

(c) *An applicant proposing to add adult care home 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 adult care home beds within the facility in which the new beds are to be operated was at least 85 percent.

-NA- The applicants propose to relocate 50 existing NF beds.

- (d) *An applicant proposing to establish a new adult care home facility or add adult care home beds to an existing facility shall not be approved unless occupancy is projected to be at least 85 percent for the total number of adult care home beds proposed to be operated, no later than two years following the completion of the proposed project. All assumptions, including the specific methodologies by which occupancies are projected, shall be stated.*

-NA- The applicants propose to relocate 50 existing NF beds.