

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

DECISION DATE: August 28, 2014
PROJECT ANALYST: Gregory F. Yakaboski
INTERIM CHIEF: Martha J. Frisone

PROJECT I.D. NUMBER: M-10243-14 / DePaul Adult Care Communities, Inc. d/b/a Rolling Ridge Assisted Living and Vincent Properties, Inc. d/b/a Vincent Properties of Clemmons, Inc./ Replace and relocate within Sampson County the 19 adult care home beds from the Hannah P. McKoy Center to the existing Rolling Ridge Assisted Living facility / Sampson 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.

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The applicants for this proposed project are DePaul Adult Care Communities, Inc. d/b/a Rolling Ridge Assisted Living (DePaul) and Vincent Properties, Inc. d/b/a Vincent Properties (Vincent Properties) of Clemmons, Inc. Rolling Ridge Assisted Living (Rolling Ridge) is an existing facility with 41 adult care home (ACH) beds. Vincent Properties owns the property. DePaul leases the property and operates Rolling Ridge. The applicants may be referred to collectively as either the applicants or Rolling Ridge.

The applicants propose to replace and relocate 19 existing but not operational ACH beds within Sampson County. The applicants plan to acquire the 19 ACH beds from the Hannah P. McCoy Center, located in Ivanhoe, and transfer the beds to Rolling Ridge, which is located in Newton Grove. The 19 ACH beds would be situated in a new wing to be constructed at Rolling Ridge. The applicants also plan to renovate the existing facility. The Hannah P. McCoy Center's 19 ACH existing but not operational ACH beds are listed in the inventory of ACH beds in Chapter 11, Table 11A, of the 2014 State Medical Facilities Plan ("SMFP").

The proposed project does not involve the addition of any new health service facility beds, services or equipment for which there is a need determination in the 2014 SMFP.

However, the following policies are applicable:

- Policy LTC-2: Relocation of Adult Care Home Beds
- Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities

Policy LTC-2: Relocation of Adult Care Home Beds states

Relocations of existing licensed adult care home beds are allowed only within the host county and to contiguous counties currently served by the facility. Certificate of need applicants proposing to relocate licensed adult care home beds to contiguous counties shall:

1. *Demonstrate that the proposal shall not result in a deficit in the number of licensed adult care home beds in the county that would be losing adult care home beds as a result of the proposed project, as reflected in the 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 adult care home beds in the county that would gain adult care home beds as a result of the proposed project, as reflected in the State Medical Facilities Plan in effect at the time the certificate of need review begins.”*

Both the existing and proposed locations are in Sampson County. The application is consistent with Policy LTC-2.

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

“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 for 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."

On page 65 and in supplemental information, Rolling Ridge provides written statements describing the proposed project's plan to assure improved energy efficiency and water conservation. The application is consistent with Policy GEN-4.

In summary, the application is conforming to all applicable policies in the 2014 SMFP. 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.

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The applicants propose to relocate 19 existing but not operational ACH beds within Sampson County. The applicants plan to acquire the 19 ACH beds from the Hannah P. McCoy Center, located in Ivanhoe, and transfer the beds to Rolling Ridge, which is located in Newton Grove. The 19 ACH beds would be situated in a new wing to be constructed at Rolling Ridge. The applicants also plan to renovate the existing facility. The Hannah P. McCoy Center's 19 ACH existing but not operational ACH beds are listed in the inventory of ACH beds in Chapter 11, Table 11A, of the 2014 State Medical Facilities Plan ("SMFP").

Population to be Served

On page 21, the applicants provide the current patient origin at Rolling Ridge, as illustrated in the table below.

County	Current % of Total ACH Residents
Sampson	71.0%
Johnston	12.0%
Cumberland	7.0%
Duplin	5.0%
Wayne	5.0%
Total	100.0%

In Section III.7, page 21, the applicants provide the projected patient origin for the ACH beds, as shown in the table below.

County	Projected % of Total ACH Residents
Sampson	74.0%
Johnston	10.0%
Cumberland	7.0%
Duplin	4.5%
Wayne	4.5%
Total	100.0%

On page 21, the applicants state *“The facility’s anticipated patient origin will remain similar to its historical patient origin.”* In supplemental information, the applicants state *“The assumptions which were utilized by Rolling Ridge were the historical data for current utilization patterns by the facility. The historical patterns offer a perspective of where Rolling Ridge anticipates generating its future residents from. Rolling Ridge does anticipate the majority of its residents will come from Sampson County as indicated in the CON application of 74% of total residents, while Johnson [sic] County is projected to contribute 10% of the residents and Cumberland County will contribute 7%. The primary rationale is the location of Rolling Ridge in Newton Grove whereby it attracts residents of Sampson, Johnson and Cumberland counties.”*

The applicants adequately identified the population to be served.

Demonstration of Need

In Section III.1, pages 17-18, Exhibit 7 and supplemental information, the applicants state the need to relocate and replace the 19 ACH beds is based on the following:

- Rolling Ridge has a maintained an occupancy rate of 98% to 100% in recent months;
- Rolling Ridge has a current wait list of ten individuals described by the administrator as *“people who need placement now”*;
- The Services Program Manager of the Department of Social Services of Sampson County states *“There are currently four facilities within our county that are available for our residents in need of placement. When trying to secure an assisted living facility for our clientele, often there are no available beds within our community. Most of the facilities that our consumers would request placement are at capacity. Many of the residents of the county have been placed outside the county due to the lack of appropriate resources locally.”*
- The 19 ACH bed Hannah P. McKoy Center facility located in Ivanhoe, Sampson County, is currently not-operational.

- The 19 ACH beds located at the Hannah P. McKoy Center facility are in the 2014 State Medical Facilities Plan therefore the proposed project would not result in any additional beds for Sampson County.
- The population of Sampson County 65 years and older is projected to increase 17.2% which will increase the demand for beds and services.
- Rolling Ridge is strategically located in Newton Grove, very close to both Johnston and Cumberland Counties.
- Rolling Ridge receives referrals from Sampson Medical Center, Johnston Health, Wayne Memorial Hospital and Betsy Johnson Hospital (Dunn, NC)

Projected Utilization

In Section IV, pages, 23-30, and supplemental information, the applicants provide projected utilization of the 61 ACH beds (42 existing and 19 proposed) for the first two full federal fiscal years (FFYs), as illustrated in the table below.

Projected Utilization- 61 ACH Beds

	1st Full FFY 10/1/15 to 9/30/16	2nd Full FFY 10/1/16 to 9/30/17
Patient Days	20,873	21,535
Occupancy Rate	93.9%	96.7%
# of Beds	61	61

As shown in the table above, in the second FFY of operation, Rolling Ridge projects the 61 ACH beds will operate at 96.7% of capacity [$21,535/365/61 = 0.967$ or 96.7%].

In Section III, pages 17-22, Section IV, pages 23-24, Exhibit 7 and supplemental information, the applicants provide the assumptions and methodology utilized to project utilization for the 61 ACH beds. On pages 23-24, Rolling Ridge states

“the net average fill-up per week will be two residents per week. ... The assumed overall occupancy is 96.7% based on current occupancy levels in the county. Assumed payor mix is 57% SA/Medicaid and 43% private pay based on current payor mix in the county.”

In supplemental information, Rolling Ridge states that it has a current wait list of ten individuals described by the administrator as *“people who need placement now.”* On or about March 3, 2014, the consultant for Rolling Ridge conducted a survey regarding the occupancy rates of all four of the operating adult care facilities in Sampson County which results are listed below:

- Autumn Wind: 98.0%
- Clinton House: 53.0%
- The Magnolia: 95.0%
- Rolling Ridge: 98.0%

In supplemental information, the applicants state *“Although Sampson County reflects a 33 bed surplus for assisted living beds in the planning inventory, this surplus exists primarily in one facility. This facility is Clinton House which has an occupancy level of 53%. This facility has a high level of patients with mental health issues and individuals without mental health issues prefer to live in a facility with other individuals who do not have mental health issues.”*

On page 23, the applicants provide historical utilization, by month, as illustrated in the table below.

ACH Beds	6/13	7/13	8/13	9/13	10/13	11/13	12/13	1/14	2/14	Total
Patient Days	1,105	1,138	1,145	1,164	1,259	1,231	1,222	1,210	1,145	10,619
Occupancy Rate	87.7%	87.4%	87.9%	92.4%	96.8%	97.7%	93.9%	92.9%	97.4%	92.6%
# of Beds	42	42	42	42	42	42	42	42	42	42
ADC	36.8	36.7	36.9	38.8	40.6	41.0	39.4	39.0	40.9	38.9

Note- Total days for the nine months is 273.

Also, DePaul Adult Care Communities, Inc. the parent of DePaul and Vincent Properties, acquired Rolling Ridge Assisted Living on May 24, 2013.

The Criteria and Standards for Nursing Facility or Adult Care Home Services, promulgated in 10A NCAC 14C .1100, are not applicable because the applicants do not propose to establish new ACH beds. However, as shown in the table above, the total number of licensed ACH beds within the facility in which the new beds are to be operated was 92.6%, which exceeds the performance standard promulgated in 10A NCAC 14C .1102(c). Furthermore, the applicants project an occupancy rate of 96.7% starting in the second quarter of the first full fiscal year which exceeds the performance standard promulgated in 10A NCAC 14C .1102(d).

Access

Historically, the payor mix for Rolling Ridge was 56.5% private pay and 43.5% Special Assistance with Basic Medicaid. The percentage of projected days as a percent of total days for patients receiving Special Assistance with Basic Medicaid would increase almost 14%, from 43.5% to 57.0%. Furthermore, at present, no medically underserved residents are being served by the 19 ACH beds to be relocated since those beds are currently not operational.

In summary, Rolling Ridge adequately demonstrates the need to replace and relocate the 19 existing ACH beds in Sampson County, including the extent to which medically underserved groups will have access to the proposed adult care home services. 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.

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The applicants propose to replace and relocate 19 existing but not operational ACH beds within Sampson County. According to MapQuest, the distance from the current site to the proposed site is approximately 51.77 miles and 59 minutes driving time. Because the beds to be relocated are currently not occupied, no patients will be displaced as a result of the proposed project.

Furthermore, the applicants project 57.0% of all resident days for ACH beds will be provided to Special Assistance with Basic Medicaid recipients. At present, no medically underserved residents are being served by the 19 ACH beds to be relocated since those beds are currently not operational.

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.

CA

In Section III.2, page 19, the applicants discussed the alternatives considered by Rolling Ridge, which include:

- 1) Maintain the Status Quo- The applicants dismissed this alternative based on the need of residents of Sampson County and the fact that the 19 ACH beds are currently not operational. Therefore, doing nothing would not be in the best interest of their patients.
- 2) Acquire the 19 ACH beds and relocate the beds to Rolling Ridge- the applicants concluded that the proposal to acquire and add 19 additional ACH beds to the existing Rolling Ridge facility was their most effective alternative to meet the unmet need and provide geographical access. Thus, the applicants concluded that the project as proposed was their least costly and most effective alternative.

The applicants propose to replace and relocate 19 existing but not operational ACH beds within the same county. The applicants do not propose to develop new ACH beds.

Furthermore, the application is conforming to all applicable statutory and regulatory review criteria, and thus, the application is approvable. An application that cannot be approved is not an effective alternative.

The applicants adequately demonstrated that the proposal is their least costly or most effective alternative to meet the need to replace and relocate the 19 ACH beds from a non-operational facility to an existing highly utilized facility. Consequently, the application is conforming to this criterion and is approved subject to the following conditions.

- 1. DePaul Adult Care Communities, Inc. d/b/a Rolling Ridge Assisted Living and Vincent Properties, Inc. d/b/a Vincent Properties of Clemmons, Inc. shall materially comply with all representations made in the certificate of need application and in the supplemental information materials submitted during the review. In those instances where representations conflict, DePaul Adult Care Communities, Inc. d/b/a Rolling Ridge Assisted Living and Vincent Properties, Inc. d/b/a Vincent Properties of Clemmons, Inc. shall materially comply with the last made representation.**
 - 2. DePaul Adult Care Communities, Inc. d/b/a Rolling Ridge Assisted Living and Vincent Properties, Inc. d/b/a Vincent Properties of Clemmons, Inc. shall add no more than 19 additional ACH beds, for a facility total of no more than 61 ACH beds.**
 - 3. For the first two years of operation following completion of the project, DePaul Adult Care Communities, Inc. d/b/a Rolling Ridge Assisted Living and Vincent Properties, Inc. d/b/a Vincent Properties of Clemmons, Inc. shall not increase actual private pay charges 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 in the certificate of need application.**
 - 4. DePaul Adult Care Communities, Inc. d/b/a Rolling Ridge Assisted Living and Vincent Properties, Inc. d/b/a Vincent Properties of Clemmons, Inc. shall provide care to recipients of State/County Special Assistance with Medicaid consistent with the representations made in Section VI. 2.**
 - 5. DePaul Adult Care Communities, Inc. d/b/a Rolling Ridge Assisted Living and Vincent Properties, Inc. d/b/a Vincent Properties of Clemmons, 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.

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In Section VIII.1, page 47, the applicants project the total capital cost for the proposal will be \$2,313,711, which includes:

Site Costs	\$ 153,521
Construction Costs	\$1,756,290
Equipment and Furniture	\$ 176,000
Consultant Fees	\$ 70,000
Financing Costs	\$ 62,900
Contingency	<u>\$ 95,000</u>
Total:	\$2,313,711

In Section VIII.2, page 48, the applicants indicate that the capital cost of the project will be financed by accumulated reserves of Vincent Properties, Inc. In Section IX, page 51, the applicants state that total working capital needed is \$22,442. On page 53, the applicants state that the working capital will be financed by unrestricted cash of DePaul.

Exhibit 14 contains a copy of a letter from the Chief Financial Officer of Vincent Properties, Inc., which states:

“Vincent Properties, Inc. (VP) owns the property at 700 Mt. Olive Drive, Newton Grove, NC. We will add on a new wing to provide for the additional nineteen (19) beds, as well as renovate the current building. VP will provide the \$2,313,711 of funding needed for construction and has adequate cash available.”

Exhibit 14 also contains a copy of a letter from the President of DePaul Adult Care Communities, Inc. d/b/a Rolling Ridge Assisted Living, which states:

“DePaul Adult Care Communities, Inc. (DePaul) leases the property at 700 Mt. Olive Drive, Newton Grove, NC. An addition of nineteen (19) beds as well as renovations to the current building are planned to be completed in September 2015. DePaul will be providing the funding for working capital needs, projected to be approximately \$25,000, subsequent to completion of the project. DePaul has adequate cash available to fund these needs, as evidenced from its most recent financial statements.”

Exhibit 12 contains a copy of the audited financial statements for Vincent Properties, Inc. as of December 31, 2012 which state on page 0207 that Vincent Properties, Inc. had \$4,289,891 in cash and equivalents. Exhibit 12 also contains a copy of the audited financial statements of DePaul Adult Care Communities, Inc. as of December 31, 2012 which state on page 0221 that DePaul Adult Care Communities, Inc. had \$3,093,470 in cash and equivalents.

The applicants adequately demonstrate the availability of sufficient funds for the capital and working capital needs for this project.

In Section IX, page 57, the applicants projected charges/rates for the first two operating years following completion of the project. The monthly private pay charge is projected to be \$3,500 for a private room and \$2,850 for a semi-private room in each of the first two full federal fiscal years.

Furthermore, in Form B, the applicants project that revenues will exceed operating costs in both the first and second full federal fiscal year following completion of the proposed project, as shown in the table below.

Net Income	ACH (excluding special care units)	Special Care Units	Total Facility
1 st Full FFY (2016)	\$19,383	0	\$19,383
2 nd Full FFY (2017)	\$51,869	0	\$51,869

Rolling Ridge adequately demonstrates that projected revenues and operating costs are based on reasonable and adequately supported assumptions, including projected utilization. See Criterion (3) for discussion of projected utilization which is incorporated hereby as if set forth fully herein.

In summary, Rolling Ridge adequately demonstrated the availability of sufficient funds for the capital and working capital needs of the project and adequately demonstrated that the financial feasibility of the proposal is based upon reasonable projections of operating costs and revenues. Therefore, 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.

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The applicants propose to replace and relocate 19 existing but not operational ACH beds within Sampson County. Rolling Ridge is acquiring the 19 ACH beds from the Hannah P. McKoy Center facility which is not operational. The proposed new location for the 19 ACH beds is at the opposite side of Sampson County approximately 51 miles away from the current location. The Hannah P. McCoy Center's 19 ACH existing but not operational ACH beds are listed in the inventory of ACH beds in Chapter 11, Table 11A, of the 2014 SMFP thus the proposed project would not result in an increase in the inventory of ACH beds in Sampson County.

In supplemental information, Rolling Ridge states that it has a current wait list of ten individuals described by the administrator as *"people who need placement now."* On or about March 3, 2014, the consultant for Rolling Ridge conducted a survey regarding the occupancy rates of all four of the operating adult care facilities in Sampson County which results are listed below:

- Autumn Wind: 98.0%

- Clinton House: 53.0%
- The Magnolia: 95.0%
- Rolling Ridge: 98.0%

In supplemental information, the applicants state *“Although Sampson County reflects a 33 bed surplus for assisted living beds in the planning inventory, this surplus exists primarily in one facility. This facility is Clinton House which has an occupancy level of 53%. This facility has a high level of patients with mental health issues and individuals without mental health issues prefer to live in a facility with other individuals who do not have mental health issues.”*

The applicants adequately demonstrate that the proposed project would not result in the unnecessary duplication of existing or approved ACH beds in Sampson 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.

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The applicants propose to provide personal care staff twenty-four hours per day, seven days per week. In Section VII., pages 39-40, the applicants state that by FFY2017 (the second full federal fiscal year) the adult care facility will be staffed by 28.70 full-time equivalent (FTE) positions. Adequate costs for the health manpower and management positions proposed by the applicants are budgeted in the pro forma financial statements. The applicants adequately demonstrate the availability of sufficient health manpower and management personnel to provide the proposed services. 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.

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In Section II.1, pages 13-15, the applicants describe the ancillary and support services that will be provided by the facility or made available through agreements with other providers including dietary, transportation, dentistry, physician, therapy, recreation, personal care, housekeeping and laundry services. Rolling Ridge is an existing facility. The applicants state, on pages 31-32, that they contacted and received support for the proposed project from the Sampson County Department of Social Services, Sampson County Health Department, Ombudsman, Home Health Agencies, Sampson Regional Hospital, Wayne Memorial, Betsy Johnson Hospital and Johnston Health. Exhibit 7 contains a letter of support from the Sampson County Department of Social Services. The applicants adequately demonstrate that they 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 community. 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.

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The existing Rolling Ridge facility located at 700 Mount Olive Drive, Newton Grove is 13,091 square feet. The applicants propose to both renovate the existing square footage and add on a wing to the facility totaling 7,075 square feet in new construction. Upon completion, the Rolling Ridge facility will be 20,166 square feet. Currently, there are 21 semi-private rooms. Upon completion of the new construction and renovation of the existing square footage there will be 30 semi-private rooms and 1 private room.

Construction costs are projected to be \$778,098 for the 19 bed addition and \$1,131,713 for renovation of the existing building. Exhibit 15 contains letters from both the construction

company and the architect stating that the construction costs for the 19 bed addition (new wing) would be \$778,098 which corresponds with lines 6 and 9 on page 45 in Table VIII.I Estimate Capital Costs. In addition the applicants provided a letter from the architect in supplemental information stating that the construction costs for the renovation of the existing space would total \$1,131,713 which corresponds with lines 6 and 9 on page 46 in Table VIII.I Estimate Capital Costs.

In Section XI, page 65 and supplemental information, the applicants detail the energy and water saving features to be included in the proposed project which include: high energy heat pumps, ozone for the laundry will allow Rolling Ridge to wash approximately 90% of its laundry with cold water instead of hot water, use of T8 or T5 lighting to reduce the cost of energy consumption, low flow shower heads, rain barrels for the collection of water for irrigation, low flow toilets and thermal based window sashes.

The applicants adequately demonstrate that the cost, design and means of construction represent the most reasonable alternative and that the construction costs will not unduly increase costs and charges for health services. See Criterion (5) for discussion of costs and charges which is incorporated hereby as if set forth fully herein. Therefore, the application is conforming with this criterion.

- (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;

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Rolling Ridge is an existing adult care home with 42 ACH beds. In Section VI.1, page 33, the applicants provide the current payor mix for the adult care home, as illustrated in the table below.

May 22, 2013 – December 31, 2013

Payor	Current days as a % of Total Days
Private Pay	56.5%
Special Assistance with Basic Medicaid	43.5%
Total	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 for Sampson, Johnston, Cumberland, Duplin and Wayne counties and statewide.

	2010 Total # of Medicaid Eligibles as % of Total Population *	2010 Total # of Medicaid Eligibles Age 21 and older as % of Total Population *	CY2008-2009 % Uninsured (Estimate by Cecil G. Sheps Center) *
Sampson	25%	10.1%	24.0%
Johnston	17%	6.7%	20.0%
Cumberland	18%	7.4%	20.3%
Duplin	20%	7.6%	24.6%
Wayne	20%	8.3%	20.3%
Statewide	17%	7.0%	19.7%

* More current data, particularly with regard to the estimated uninsured percentages, was not available.

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 adult care home services.

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 45.9% for those age 20 and younger and 30.6% 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 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 utilizing health services. Furthermore, OSBM's website does not include information on the number of handicapped persons.

The applicants demonstrate that medically underserved populations have adequate access to the services provided at Rolling Ridge. Therefore, 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;

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In Section VI.5, page 35, Rolling Ridge states

“There have been no civil rights complaints filed against Rolling Ridge.

...

There have been no civil rights access complaints filed against facilities owned or operating by the member/owners of Rolling Ridge.”

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.1, page 33, the applicants project the payor mix for the facility during the second full federal fiscal year (FFY 2017), as illustrated in the table below.

October 1, 2016 – September 30, 2017

Payor	Projected days as a % of Total Days
Private Pay	43.0%
Special Assistance with Basic Medicaid	57.0%
Total	100.0%

Historically, the payor mix was 56.5% private pay and 43.5% Special Assistance with Basic Medicaid. As shown in the table above, the percentage of projected days as a percent of total days for patients receiving Special Assistance with Basic Medicaid would increase almost 14%, from 43.5% to 57.0%. In supplemental information the applicants state the projected increase in patients receiving Special Assistance with Basic Medicaid is based on an evaluation of the license renewal applications of the existing providers in Sampson County. See also the third paragraph in the assumptions found in Exhibit 16.

The applicants demonstrate that medically underserved populations will continue to have adequate access to the adult care home services provided by Rolling Ridge. Therefore, the application is conforming to 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 V.5, pages 35-36, the applicants state patients will have access to the services offered at Rolling Ridge through the following referral sources:

- Sampson County Department of Social Services
- Sampson County Health Department
- Ombudson
- Home Health Agencies
- Sampson Regional Hospital
- Wayne Memorial Hospital
- Betsy Johnson Hospital
- Johnson Health

The applicants adequately demonstrate they offer a range of means by which residents will have access to the 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, page 31, the applicants state

“Rolling Ridge has contacted Ms. Wanda Capps, Division Chair of Health Programs at Sampson Community College and both organizations have agreed to explore the different possibilities.... See Exhibit 6 for letter.”

Exhibit 6 contains a copy of a letter from a consultant for Rolling Ridge dated March 10, 2014, to Ms. Wanda Capp of Sampson Community College regarding starting a training program with Sampson Community College.

The applicants adequately demonstrate that the facility would accommodate the clinical needs of area health professional training programs. 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

The applicants propose to replace and relocate 19 existing but not operational ACH beds within Sampson County. The applicants plan to acquire the 19 ACH beds from the Hannah P. McCoy Center, located in Ivanhoe and transfer the beds to Rolling Ridge, which is located in Newton Grove. The 19 ACH beds would be situated in a new wing to be constructed at Rolling Ridge. The applicants also plan to renovate the existing facility.

The Hannah P. McCoy Center's 19 ACH existing but not operational ACH beds are listed in the inventory of ACH beds in Chapter 11, Table 11A, of the 2014 State Medical Facilities Plan ("SMFP").

There are currently a total of five existing adult care facilities in Sampson County: Autumn Wind Assisted Living of Roseboro, Clinton House, Hannah P. McCoy Center, The Magnolia and Rolling Ridge Retirement Center. The table below illustrates the occupancy of each as of August 1, 2013.

	Census	# of Beds	Occupancy Rate
Autumn Wind Assisted Living of Roseboro	35	40	87.5%
Clinton House	34	60	56.7%
Hannah P. McCoy Center	0	19	0.0%
Rolling Ridge Retirement Center	32	42	76.2%
The Magnolia	78	91	85.7%

On or about March 3, 2014, the consultant for Rolling Ridge conducted a survey regarding the occupancy rates of all four of the operating adult care facilities in Sampson County which results are listed below:

- Autumn Wind: 98.0%
- Clinton House: 53.0%
- The Magnolia: 95.0%
- Rolling Ridge: 98.0%

In supplemental information, the applicants state *"Although Sampson Count reflects a 33 bed surplus for assisted living beds in the planning inventory, this surplus exists primarily in one facility. This facility is Clinton House which has an occupancy level of 53%. This facility*

has a high level of patients with mental health issues and individuals without mental health issues prefer to live in a facility with other individuals who do not have mental health issues.”

In Section III.4, page 32 and in supplemental information, Rolling Ridge discusses how any enhanced competition in the service area will have a positive impact upon the cost-effectiveness, quality and access to the proposed services. Rolling Ridge states

“Rolling Ridge is proposing to offer 57% of its patient days to Medicaid residents. This insures access to medically underserved groups.

Rolling Ridge is increasing the availability of ACH beds in Sampson County via the 19-bed expansion.

The proposed increase from a 42-bed facility to a 61-bed facility will increase the cost effectiveness in that facility will be able to employ economy of scale with the increased number of beds.”

In supplemental information, Rolling Ridge states that the renovation and relocation of beds *“will provide an option for individuals to choose a modern, efficiently operated facility.”* The applicants state that Rolling Ridge has a current wait list of 10 individuals. According to the Rolling Ridge administrator these are people who *“need placement now.”*

See also Sections II, III, V, VI and VII and supplemental information where the applicants discuss the impact of the project on cost-effectiveness, quality and access.

The applicants adequately demonstrate that any enhanced competition will have a positive impact on the cost-effectiveness, quality and access to the proposed services based on the information in the application and the following analysis:

- The applicants adequately demonstrate the need to relocate and replace the 19 existing but not operational ACH beds within Sampson County and that the proposed project is a cost-effective alternative to meet the documented need. See Criterion (3) for discussion of utilization which is hereby incorporated by reference as if set forth fully herein.
- The applicants adequately demonstrate they will continue to provide quality services.
- The applicants adequately demonstrate they will continue to provide adequate access to medically underserved populations. Historically, the payor mix for Rolling Ridge was 56.5% private pay and 43.5% Special Assistance with Basic Medicaid. The percentage of projected days as a percent of total days for patients receiving Special Assistance with Basic Medicaid would increase almost 14%, from 43.5% to 57.0%. Furthermore, at present, no medically underserved residents are being served by the 19 ACH beds to be relocated since those beds are currently not operational.

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

Rolling Ridge is an existing facility with 42 ACH beds located in Sampson County at 700 Mount Olive Dr., Newton Grove. According to the records in the Adult Care Licensure Section of the Division of Health Service Regulation, within the eighteen months immediately preceding the date of this decision there was a Type A2 violation found in an annual survey completed on February 21, 2014 and a Type B violation found during a survey conducted on May 6, 2014 to May 9, 2014 with an exit conference via telephone on May 9, 2014. Both violations have been addressed. No penalties, fines or sanctions 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.

NA

The Criteria and Standards for Nursing Facility or Adult Care Home Facility Services, promulgated in 10A NCAC 14C .1100, are not applicable because the applicants do not propose to establish new adult care home facility beds.