

## ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

DECISION DATE: July 31, 2014  
PROJECT ANALYST: Fatimah Wilson  
TEAM LEADER: Lisa Pittman

PROJECT I.D. NUMBER: F-10293-14 / Aldersgate United Methodist Retirement Community, Inc. / Replace existing nursing facility and develop 20 additional nursing facility beds pursuant to Policy NH-2 / Mecklenburg 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.

CA

The applicant, Aldersgate United Methodist Retirement Community, Inc. (Aldersgate), a Continuing Care Retirement Community (CCRC), currently operates 250 independent living units (ILUs), Asbury Care Center, a 105-bed combination nursing and adult care home facility, consisting of 100 nursing facility beds and five adult care home beds, Parker Terrace, a 53 bed adult care home (ACH) and Cuthbertson Village, a 45 bed memory support ACH. The applicant proposes to replace its existing, outdated nursing facility (NF) and develop 20 additional nursing facility beds pursuant to Policy NH-2 to be located at 3201 Bishops Way Lane, Charlotte, in Mecklenburg County. The replacement nursing facility will be located on the same campus as the existing CCRC. Upon completion of the proposed project, the applicant intends to re-name its nursing facility; however, at the time of submission of this application, a name has yet to be selected. The proposed replacement facility would consist of a 125-bed combination nursing facility with 120 nursing facility beds and five adult care home beds. 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 State Medical

Facilities Plan (SMFP). However, there are several policies in the 2014 SMFP that are applicable to this review; Policy NH-2: *Plan Exemption for Continuing Retirement Communities*; Policy NH-8: *Innovations in Nursing Facility Design*; and Policy GEN-4: *Energy Efficiency and Sustainability for Health Service Facilities*. Those policies are discussed below:

**“Policy NH-2: Plan Exemption for Continuing Care Retirement Communities**

*Qualified continuing care retirement communities may include from the outset, or add or convert bed capacity for nursing care without regard to the nursing care bed need shown in Chapter 10: Nursing Care Facilities. To qualify for such exemption, applications for certificates of need shall show that the proposed nursing care bed capacity:*

1. *Will only be developed concurrently with, or subsequent to, construction on the same site of facilities for both of the following levels of care:*
  - a. *independent living accommodations (apartments and homes) for people who are able to carry out normal activities of daily living without assistance; such accommodations may be in the form of apartments, flats, houses, cottages, and rooms;*
  - b. *licensed adult care home beds for use by people who, because of age or disability require some personal services, incidental medical services, and room and board to assure their safety and comfort.*
2. *Will be used exclusively to meet the needs of people with whom the facility has continuing care contracts (in compliance with the North Carolina Department of Insurance statutes and rules) who have lived in a non-nursing unit of the continuing care retirement community for a period of at least 30 days. Exceptions shall be allowed when one spouse or sibling is admitted to the nursing unit at the time the other spouse or sibling moves into a non-nursing unit, or when the medical condition requiring nursing care was not known to exist or be imminent when the individual became a party to the continuing care contract.*
3. *Reflects the number of nursing care beds required to meet the current or projected needs of residents with whom the facility has an agreement to provide continuing care, after making use of all feasible alternatives to institutional nursing care.*
4. *Will not be certified for participation in the Medicaid program. One half of the nursing care beds developed under this exemption shall be excluded from the inventory used to project nursing care bed need for the general population. Certificates of need issued under policies analogous to this policy in the North Carolina State Medical Facilities Plans subsequent to the 1985 State Medical Facilities Plan are automatically amended to*

*conform with the provisions of this policy at the effective date of this policy. Certificates of need awarded pursuant to the provisions of Chapter 920, Session Laws 1983 or Chapter 445, Session Laws 1985 shall not be amended.”*

In Section III.4, pages 59-61, the applicant states that the 20 proposed NF beds:

- Will be on the same site as both the independent living units and the adult care home beds;
- Will be used exclusively to meet the needs of the people with whom the facility has a continuing care contract and who have lived in a non-nursing unit of the CCRC community for a period of at least 30 days, unless as excepted by Policy NH-2;
- Are required to meet the current and projected need of residents who have continuing care retirement contracts with Aldersgate; and
- Will not be certified for participation in the Medicaid program or serve state or county special assistance recipients.

The applicant adequately demonstrates that the 20 Policy NH-2 beds will be developed on the same site as both the independent living units and licensed ACH beds. Furthermore, the applicant demonstrates that the CCRC proposes to make use of all feasible alternatives to institutional nursing care as required by Policy NH-2. The application is conforming with Policy NH-2.

**“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 III.4, pages 62-66, the applicant states:

*“As discussed below, Aldersgate has, in proposing this replacement and expansion of its existing nursing facility, pursued an innovative approach in care practices, work place practices and environmental design that address quality of care and quality of life needs of the residents of the facility. Aldersgate is committed to the pursuit of innovative approaches in care and work place practices, along with environmental design, to promote resident wellness and life enrichment. Aldersgate embraces the concept that each resident is an*

*individual with specific needs, wants, interests, abilities and life experiences. To that end, Aldersgate strives to foster the individuality and dignity of each resident, to aid in the prevention of deterioration and promote physical, social, and emotional wellness of each resident. The overarching goal of the replacement facility is to provide a sensitive and supportive atmosphere that leads residents to maximize their life satisfaction by promoting quality care through health and wellness programs and services, as well as providing personal assistance in a pleasant, friendly, safe and non-intrusive environment. Programs and services are provided in a manner that promotes individualism, choice, dignity, respect, and autonomy for each resident. ...”*

### Care Practices

The applicant describes the following regarding care practices:

- To the extent possible, residents will make their own decisions regarding when they wake, sleep, and eat; food choices, daily routine; bathing frequency, to include time and method; activities of daily living; and life enrichment activities.
- Household models of 14 to 20 residents each, with their own kitchen, dining room, living room, and various other homelike spaces (such as a den, patio, or sunroom).
- Staffed households which allows residents to direct their own lives in a non-threatening, non-intuitive setting that looks and feels like home.

### Work Place Practices

The applicant describes the following regarding work place practices:

- Aldersgate encourages its residents and staff to participate in resident and employee centered communities and work groups to voice their opinions regarding their homes and lives.
- Aldersgate pays for continuing education opportunities for all staff members.
- Aldersgate encourages attendance in industry conferences and training as well as training and/or licensing in specific jobs.
- Aldersgate has established recognition programs for staff.

### Environmental Design

The applicant describes the following regarding environmental design:

- The replacement facility will be home-like.
- All rooms will be private.
- Each household will have access to the outside.
- Each household will include a kitchen.
- Each household will include a nurse station and a nurse call system.
- All resident rooms will feature private toileting and bathing facilities.
- All resident rooms will be handicapped accessible.
- Facility staff will encourage residents to personalize their space.

The applicant adequately demonstrates the proposal incorporates innovative approaches to patient care, work place practices and environmental design that address quality of care and quality of life needs of the residents. Therefore, the applicant adequately demonstrates the proposal is conforming with Policy NH-8.

**“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, pages 67-68, the applicant states, “Aldersgate will develop and implement an Energy Efficiency and Sustainability Plan that conforms to or exceeds energy efficiency and water conservation standards in the latest editions of the North Carolina State Building Codes.”

The applicant's proposals to address energy efficiency and water conservation include:

- *“Energy Star rated appliances*
- *Water saving plumbing fixtures*
- *High-efficiency HVAC systems*
- *Compact fluorescent and LED lighting*
- *Electronic file storage*
- *Active energy use monitoring by staff*
- *Motion sensor switches on lighting in offices, conference rooms, utility and activity rooms, and other spaces where appropriate*
- *Thermal pane windows*
- *Thermal break window sashes*
- *Appropriate use of deciduous trees around buildings to create seasonal shading*
- *Photovoltaic cells for exterior building and site lighting*
- *Natural lighting through the use of strategically designed windows and solar tubes*
- *Locally sourced construction and building materials”*

In addition, on page 67 the applicant states that they will implement Energy Efficiency and Sustainability plans, policies and guidelines for staff to follow, further ensuring continuous energy/water use monitoring and awareness.

The applicant adequately demonstrates that the proposal will assure improved energy efficiency and water conservation in the proposed replacement nursing facility. Therefore, the application is conforming to this criterion subject to Condition 6 in Criterion (4).

The application is consistent with Policy NH-2, Policy NH-8, and Policy GEN-4, and is therefore 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

The applicant proposes to replace its existing, outdated nursing facility and develop 20 additional nursing facility beds pursuant to Policy NH-2 to be located on the Aldersgate

campus at 3201 Bishops Way Lane, Charlotte, in Mecklenburg County. The existing nursing facility, Asbury Care Center is located on the Aldersgate campus at 3625 Willard Farrow Drive, Charlotte. Upon completion of the proposed project, the applicant intends to re-name its nursing facility; however, at the time of submission of this application, a name has yet to be selected. The proposed replacement facility would consist of a 125-bed combination nursing facility with 120 nursing facility beds and five adult care home beds.

**Population to be Served**

In Section III.9, page 70, the applicant provides the projected patient origin for Aldersgate during the first full year of operation following completion of the proposed project, as illustrated in the table below.

**Projected Patient Origin  
First Full Federal Fiscal Year  
FFY 2018**

<b>County</b>	<b>Percent of Total NF Admissions</b>
Mecklenburg	98.9%
Other*	1.1%
<b>Total</b>	<b>100.0%</b>

\*Other includes Cabarrus, Forsyth, Randolph, Rowan, and Wake counties

In Section III.9, page 71, the applicant states that, “*The proposed project involves the addition of nursing facility beds to an existing healthcare facility in a CCRC. Since the project involves the replacement and addition of beds to a retirement community, Aldersgate assumes that the projected patient origin will remain the same as historical, with at least 99 percent of the patients of its facility originating from Mecklenburg County.*” The applicant adequately identifies the population to be served.

**Demonstration of Need**

In Section III.1, page 43, the applicant describes the need to expand the existing NF. The applicant states,

*“The sole need to add nursing facility beds relates to the growth, both historical and projected, in the independent living community, as all of the nursing facility beds proposed in conjunction with this project are Policy NH-2 beds to be used exclusively by residents of the CCRC.”*

As stated above, the need for expansion of the NF is due to the growth of the independent living community. On page 44, the applicant states that Aldersgate currently operates 250 independent living units on its campus, consisting of 157 apartments and 93 cottages. The applicant states that occupancy rates for the ILUs have been above 90 percent in the

prior two years (2012 and 2013). As a result of the ILUs being near capacity, the applicant states that Aldersgate is expanding its ILU capacity by adding 71 new independent living residences for a total of 321 ILUs. In addition, on page 45 the applicant states that there are currently 41 individuals on the waiting list for independent living residences at Aldersgate. Furthermore, the applicant states on page 46 that the 65 and older population of Mecklenburg County is projected to grow at an annual rate significantly higher than the state average growth rate over the next five years, as shown in the table below.

**Population Estimates & Projections  
 Mecklenburg County and North Carolina**

County	65 Years and Older		
	2014	2019	CAGR*
Mecklenburg	101,633	129,731	5.0%
North Carolina	1,455,316	1,718,996	3.4%

Source: North Carolina Office of the State Budget and Management

\*CAGR= Compound Annual Growth Rate

As stated above, both the historical and projected growth rate of the ILUs along with the projected growth rate of the 65 and older population of Mecklenburg County demonstrates the need to expand the NF.

In Section IV.2, page 78, the applicant provides the projected utilization for Aldersgate NF by quarter, for the first three full years of operation, October 1, 2017 – September 30, 2020, as illustrated in the table below:

**Table IV.2 – Aldersgate  
 First Two Project Years (Oct. 1, 2017 – Sept. 30, 2019)**

<b>1<sup>st</sup> Full Project Year</b>	<b>1<sup>st</sup> Quarter 10/1/17 – 12/31/17</b>	<b>2<sup>nd</sup> Quarter 1/1/18 – 3/31/18</b>	<b>3<sup>rd</sup> Quarter 4/1/18 – 6/30/18</b>	<b>4<sup>th</sup> Quarter 7/1/18 – 9/30/18</b>	<b>Total</b>
<b>NF Patient Days</b>	10,028	9,810	9,919	10,028	39,785
Occupancy Rate	91%	91%	91%	91%	91%
# Beds	120	120	120	120	120
<b>ACH Patient Days</b>	368	360	364	368	1,460
Occupancy Rate	80%	80%	80%	80%	80%
# of Beds	5	5	5	5	5
<b>2<sup>nd</sup> Full Project Year</b>	<b>1<sup>st</sup> Quarter 10/1/18 – 12/31/18</b>	<b>2<sup>nd</sup> Quarter 1/1/19 – 3/31/19</b>	<b>3<sup>rd</sup> Quarter 4/1/19 – 6/30/19</b>	<b>4<sup>th</sup> Quarter 7/1/19 – 9/30/19</b>	<b>Total</b>
<b>NF Patient Days</b>	10,028	9,810	9,919	10,028	39,785
Occupancy Rate	91%	91%	91%	91%	91%
# Beds	120	120	120	120	120
<b>ACH Patient Days</b>	368	360	364	368	1,460
Occupancy Rate	80%	80%	80%	80%	80%
# of Beds	5	5	5	5	5
<b>3<sup>rd</sup> Full Project Year</b>	<b>1<sup>st</sup> Quarter 10/1/19 – 12/31/19</b>	<b>2<sup>nd</sup> Quarter 1/1/20 – 3/31/20</b>	<b>3<sup>rd</sup> Quarter 4/1/20 – 6/30/20</b>	<b>4<sup>th</sup> Quarter 7/1/20 – 9/30/20</b>	<b>Total</b>
<b>NF Patient Days</b>	10,028	9,810	9,919	10,028	39,785
Occupancy Rate	91%	91%	91%	91%	91%
# Beds	120	120	120	120	120
<b>ACH Patient Days</b>	368	360	364	368	1,460
Occupancy Rate	80%	80%	80%	80%	80%
# of Beds	5	5	5	5	5

As shown in the table above, in the first three federal fiscal years of operation, Aldersgate projects the 120 Policy NH-2 NF beds will operate at 91% capacity [39,785 / 365 / 120 = 0.908], which is consistent with the performance standard promulgated in 10AC NCAC 14C .1102(b). In Section IV.2, pages 74-76, the applicant provides the assumptions and methodology utilized to project utilization for the proposed project. The applicant states,

*“The previous nine month patient day volume was used to calculate the historical occupancy rate for the nursing facility beds (patient days / days in quarter / number of beds). The average occupancy rate of the nine month period from July 2013 to March 2014 was 90.6 percent. This historical occupancy rate corresponds to an average daily census (ADC) of 91 patients. ...*

*Projected patient days for the existing and new nursing facility beds were calculated by multiplying the historical ADC by the projected operational days within the period. The 100 existing nursing facility beds are assumed to have an ADC of 91 patients as was the experience in the most recent nine months (at the*

*time of preparation of this application). Thus, the existing nursing facility beds are estimated to annually generate 33,215 patient days in each of the first three full years following completion of the proposed project (91 patient X 365 days).*

*The projected patient days for the proposed 20 additional nursing facility beds are based initially on the assumed fill-up during the first partial federal fiscal year. As stated in Section XII, the proposed opening date of the new nursing facility beds is April 1, 2017. Therefore, the 20 additional nursing facility beds will be operational for six months of federal fiscal year 2017 (from April 1, 2017 to September 30, 2017, or 183 days). Given the level of projected demand (as discussed in Section III.1), it is assumed that 16 residents will move into one of the 20 beds during the first month of operation, at a rate of four patients per week (as directed above in 2.(c)), followed by an additional two residents in the second month of operation. Based on the methodology described above, the additional 20 nursing facility beds are projected to generate 2,994 patient days in federal fiscal year 2017.*

...

*The total patient days for all 120 nursing facility beds, therefore, is projected to equal 36,209 in federal fiscal year 2017 (2,994 patient days + 33,215 patient days).*

*After the fill-up of the proposed additional 20 nursing facility beds is complete, the assumed average daily census during each of the first three full federal fiscal years is projected to be 18 patients. Thus, the 20 proposed additional nursing facility beds are estimated to annually generate 6,750 patient days in each of the first three full federal fiscal years following completion of the proposed project (18 patients X 365 days). The total patient days for all 120 nursing facility beds, therefore, is projected to equal 39,785 in each of the first three full federal fiscal years of the project (6,570 patient days + 33,215 patient days).*

Projected utilization is based on reasonable, credible and supported assumptions.

In Section III.1(a), page 44, the applicant states the need to relocate the facility. The applicant states,

*“The age and configuration of the existing facility, combined with changes in the healthcare industry, have resulted in a facility that is out of date, has numerous facility system and structural problems that cannot be easily remedied with renovation, and does not efficiently accommodate today’s healthcare service delivery.”*

On pages 54-55, the applicant identifies other facility concerns that further demonstrate the need for replacement of the existing facility:

- Mechanical systems have far exceeded normal life expectancy;
- To meet current HVAC, accessibility, electrical, and space requirements, a total gut and replace renovation project would be involved;
- Plumbing systems are past their useful life and would have to be upgraded;
- Elevators would have to be upgraded; and
- Window, glass, and glazing systems do not meet current energy codes and increase energy costs.

The applicant states that despite their efforts, the age and configuration of the existing facility has resulted in operational and structural issues that can no longer be resolved with renovation. The proposed replacement facility will be home-like with a neighborhood feel, as opposed to the traditional institutional-like setting. See Criterion (1) where the applicant adequately demonstrates the proposal incorporates innovative approaches to patient care, work place practices and environmental design that address quality of care and quality of life needs of the residents in accordance with Policy NH-8.

The applicant adequately demonstrates the need to replace the existing NF.

The Continuing Care Retirement Communities 2013 Reference Guide published by the North Carolina Department of Insurance reports in Appendix 3 Occupancy Report document that there are:

- 57 CCRCs in North Carolina
- a total of 11,430 ILUs in those 57 CCRCs
- a total of 4,069 NF beds in those 57 CCRCs

Thus, in North Carolina the ratio of ILUs to NF beds is 1 NF bed for every 2.18 ILUs [ $11,430 / 4,069 = 2.18$ ]. The applicant is proposing to have 321 ILUs and 120 Policy NH-2 NF beds which is 1 NF bed for every 2.68 ILUs [ $321 / 120 = 2.675$ ]. Aldersgate's ratio of ILUs to NF beds is higher than the industry average in North Carolina.

Access

Policy NH-2: Plan Exemption for Continuing Care Retirement Communities - Nursing Home Beds requires the applicant to exclusively meet the needs of people with whom the facility has continuing care contracts and who have lived at Aldersgate for a least 30 days. The policy also prohibit participation in the Medicaid program and serving State-County Special Assistance recipients.

In summary, the projected utilization provided by the applicant is based on reasonable, credible and supported assumptions. The applicant adequately identifies the population it proposes to serve and the need the proposed population has for the proposed project. 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.

NA

- (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 56-58, the applicant describes two alternatives considered, including: maintaining the status quo and renovating the existing facility to include the development of additional nursing facility beds. The applicant determined that neither of the alternatives were the most effective alternative, for the following reasons:

Maintain the Status Quo and Continue to Operate at the Current Location: this was not a viable alternative since maintaining the status quo would not be in the best interest of residents as it would not address the need for an updated, modern facility or for additional nursing facility capacity.

Renovate the Existing Facility and Develop Additional NF Beds: the applicant states that this alternative was considered, however, such an alternative is simply not feasible given the existing design of the facility. The applicant states specifically that retrofitting the existing facility would not address existing mechanical, electrical, and plumbing issues and would interrupt normal day-to-day operations and result in the temporary displacement of residents during construction.

Therefore, the applicant concluded that replacing the existing facility would be the most effective alternative. The applicant states, on page 58, that the proposed project would address existing facility constraints as well as the growing need for nursing facility beds.

Further, the applicant states that the number of additional nursing facility beds proposed (20) is optimal for the household design and staffing ratios, and that a state-of-the-art facility that is more accessible and integrated, results in improved staff efficiency.

The application is conforming to all other applicable statutory review criteria. An application that cannot be approved cannot be an effective alternative.

The applicant adequately demonstrates that the proposal is their 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. **Aldersgate United Methodist Retirement Community, Inc. shall materially comply with all representations made in the certificate of need application.**
2. **Aldersgate United Methodist Retirement Community, Inc. shall construct a replacement nursing facility with a total licensed bed complement of no more than 120 nursing facility beds and five ACH beds upon completion of the project.**
3. **The 20 new nursing facility beds shall not be certified for participation in the Medicaid program.**
4. **The 20 new nursing facility beds shall be used exclusively to meet the needs of persons with whom the facility has continuing care contracts (in compliance with the Department of Insurance statutes and regulations) who have lived in a non-nursing unit of the continuing care facility for a period of at least 30 days. Exceptions shall be allowed when one spouse or sibling is admitted to the nursing unit at the time the other spouse or sibling moves into a non-nursing unit, or when the medical condition requiring nursing care was not known to exist or be imminent when the individual became a party to the continuing care contract.**
5. **The 20 new nursing facility beds shall be developed on the same site with the independent living units.**
6. **Aldersgate United Methodist Retirement Community, Inc. shall 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.**
7. **Aldersgate United Methodist Retirement Community, 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.1, page 115, the applicant projects the total capital expenditure for the proposed project will be \$41,734,345. In Section VIII.2, page 117, the applicant indicates that the capital cost of the project will be funded with bonds. In Section IX, page 121, the applicant states that there will be no start-up or initial operating expenses (working capital). Exhibit 14 contains a letter, dated May 15, 2014, from Luke Short, Chief Financial Officer for Aldersgate United Methodist Retirement Community, Inc., which states in part:

*“As a requirement of the certificate of need application process, I have been asked to document the availability of funds for the proposed nursing facility replacement and expansion project application to be submitted by Aldersgate United Methodist Retirement Community, Inc. on May 15, 2014.*

*As the Chief Financial Officer of Aldersgate United Methodist Retirement Community, Inc. I am responsible for its financial operations. As such, I am very familiar with the organization’s financial position. The total capital cost of the project, including financing costs, is estimated to be \$41,734,345.*

*Aldersgate United Methodist Retirement Community, Inc. will finance the capital costs through bond issues. For verification of bond proceeds available for this project, I have enclosed a letter from John Franklin at BB&T. Aldersgate United Methodist Retirement Community, Inc. will use the bond funds to finance the capital costs of the proposed nursing facility replacement and expansion. ...”*

Exhibit 14 also contains a May 15, 2014 letter from a representative of BB&T Capital Markets expressing interest in providing funding for the project, which states in part:

*“Please accept this letter as a statement of our interest in and tentative commitment to providing financing for Aldersgate United Methodist Retirement Community, Inc.’s nursing facility replacement and expansion project. We understand the total estimated project cost would be approximately \$41,734,345 to include any financing costs. We understand that Aldersgate United Methodist Retirement Community, Inc. expects to issue tax-exempt*

*bonds to finance this project as well as the cost associated with the financing of the project. ...”*

Exhibit 15 contains the financial statements Aldersgate United Methodist Retirement Community, Inc., for the years ending December 31, 2012 and 2011. As of December 31, 2012, the applicant reported cash and cash equivalents in the amount of \$972,459 and total unrestricted net assets of \$3,190,245 (total assets – total liabilities).

The applicant adequately demonstrates the availability of funds for the capital needs of the project.

In Section X.4, page 128, the applicant projects the following per diem rates and charges by payer source for the facility in the first two full federal fiscal years (October 1, 2017 – September 30, 2019) of operation following completion of the proposed project.

Payer Source	Private Room
<b>Nursing Unit (excl. special care units)</b>	
Private Pay <sup>^</sup>	\$261.00
Medicare *	\$478.00
<b>Adult Care Home (excl. special care units)</b>	
Private Pay	\$155.00

<sup>^</sup>Other includes Hospice and Other Insurance

\*The charge reported in this table is the weighted average of the facility’s RUG rates.

In Form B, page 154, the applicant projects revenues will exceed operating costs in the second year of operation, as illustrated in the following table.

<b>Revenues and Operating Costs Second Full Federal Fiscal Year 10/1/18 – 9/30/19</b>	
Total Revenue	\$37,714,912
Total Operating Costs	\$35,684,378
Net Profit	\$2,030,534
Total Direct Operating Cost / Patient Day	\$73.74
Total Indirect Operating Cost / Patient Day	\$98.46
Total Operating Cost / Patient Day	\$172.24

The assumptions used by the applicant in preparation of the pro forma financial statements, including projected utilization, are reasonable. See Criterion (3) for discussion of utilization projections which is hereby incorporated by reference as if set forth fully herein.

In summary, the applicant adequately demonstrates the availability of funds for the capital needs of the proposal and adequately demonstrates that the financial feasibility of the proposal is based on reasonable projections of cost and revenues. Therefore, the application is 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

The applicant proposes to replace its existing, outdated nursing facility and develop 20 additional nursing facility beds pursuant to Policy NH-2 to be located on the Aldersgate campus at 3201 Bishops Way Lane, Charlotte, in Mecklenburg County. The existing nursing facility, Asbury Care Center is located on the Aldersgate campus at 3625 Willard Farrow Drive, Charlotte. Upon completion of the proposed project, the applicant intends to re-name its nursing facility; however, at the time of submission of this application, a name has yet to be selected. The proposed replacement facility would consist of a 125-bed combination nursing facility with 120 nursing facility beds and five adult care home beds.

In Section III, pages 43 and 60, the applicant states that the 20 nursing beds will be available exclusively to persons with a continuing care contract with Aldersgate, pursuant to Policy NH-2. Furthermore, the applicant adequately demonstrates the need the population to be served has for 20 additional nursing facility beds. See Criterion (3) for discussion of need for the proposed beds which is hereby incorporated by reference as if set forth fully herein. Consequently, the applicant adequately demonstrates that the proposed project will not unnecessarily duplicate existing or approved health service capabilities or facilities. 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 106-109, the applicant projects the following staff for the second full federal fiscal year of the proposed project, as illustrated in the table below:

<b>Position</b>	<b>FTEs</b>
Director of Nursing	1.00
Staff Development Coordinator	1.00
MDS Nurse	2.00
RNs	14.00
LPNs	17.80
Certified Nursing Assistants	62.80
CNA/Med Techs	48.20
CNA/(Transitional ACH Beds)	4.20
Ward Secretary	7.50
Medical Records	1.00
Director of Homecare	1.00

Food Service Supervisor	3.00
Cooks	12.00
Dietary Aides	7.00
Utility Workers	17.50
Food Servers	17.00
Director of Culinary	1.00
Executive Chef	1.00
Other Dietary Staff	2.00
Social Services Director	1.00
Social Workers	4.00
Activity Assistant(s)	1.00
Beauty Shop Supervisor	1.00
Activity Therapists	5.00
Other Activity Staff	2.50
Housekeeping Supervisor	1.00
Housekeepers	33.00
Laundry Aides	2.00
Sr. Maintenance Tech	5.00
Other/Grounds/Painters	11.00
Chief Operating Officer	1.00
Nursing Home Administrator	1.00
Administrative Secretary	1.00
Admissions Coordinator	1.00
Facilities Safety/Security	1.00
Security Officers	6.50
Receptionist	4.90
Marketing	3.00
Director of Admissions	1.00
CFO	1.00
Accounting Manager	1.00
Accounting Detail Coordinator	2.00
Accounting Specialist	1.00
Director of Materials Management	1.00
Materials Management Coordinator	1.00
Materials Management Assistant	1.00
President	1.00
Executive Assistant	1.00
Director of Mission Advance	0.75
Director of HR	1.00
Benefits Coordinator	1.00
HR Generalist	1.00
Pastoral Care	1.00
<b>Total</b>	<b>321.35</b>

The applicant projects direct care nursing staff hours per patient day for the second full federal fiscal year in Section VII.4, page 110, as follows:

**Direct Care Nursing Staff Hours per Patient Day**

**2<sup>nd</sup> Full Federal Fiscal Year  
 (October 1, 2018- September 30, 2019)**

	<b>RN's</b>	<b>LPN's</b>	<b>Aides</b>	<b>Total</b>
<b>Nursing (excluding special care units)</b>				
A. Number of FTEs	9.8	11.2	58.8	79.8
B. Number of Nursing Hours per year per FTE	2,080	2,080	2,015	
C. Total nursing hours per year (A x B)	20,384	23,296	118,482	162,162
D. Number of Patient Days (Table IV.2)	39,785	39,785	39,785	39,785
E. Nursing hours per patient day (C/D)	0.51	0.59	2.98	4.08
<b>Adult Care Home (Five Beds)</b>				
A. Number of FTEs			4.2	4.2
B. Number of Nursing Hours per year per FTE			2,015	2,015
C. Total nursing hours per year (A x B)			8,463	8,463
D. Number of Patient Days (Table IV.2)			1,460	1,460
E. Nursing hours per patient day (C/D)			5.80	5.80

The applicant states, in Section II, page 23, and demonstrates in the above table, that they will provide daily direct care nursing staff equal to or exceeding 2.1 nursing hours per patient day in accordance with the North Carolina Rules for the Licensing of Nursing Homes. Adequate costs for the health manpower and management positions proposed by the applicants are budgeted in the pro forma financial statements. The applicant documents in Section V.3(c), page 84, that Dr. Joseph Pierce has indicated his willingness to continue to serve as Medical Director of the proposed facility. A letter from Dr. Pierce is provided in Exhibit 6. The applicant adequately demonstrates 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.

C

In Section II.4, pages 37-39, the applicant describes the proposed ancillary services to be available on site or by other providers. In Section V.2, page 82, the applicant states that the existing facility has several transfer agreements in place with health care providers. Exhibit 9 contains a copy of Aldersgate's transfer agreement with Novant Health Presbyterian Medical Center. In addition, Exhibit 5 contains provider contracts for dental services, podiatry services, physical therapy and occupational therapy services, speech/language pathology services, dietary services, pharmacy services, laboratory services and x-ray and ultrasound services. Furthermore, the applicant states in Section V.4(a), page 84, that, *"while the proposed project involves the replacement and addition of nursing facility beds only, the community at large, including other healthcare and social service providers, is supportive of the proposed project."* Moreover, the applicant

provides several letters of support from a variety of health care providers in Exhibit 24. The applicant adequately demonstrates that the necessary ancillary and support services will be available and that the proposed services will be coordinated with the existing health care system. Therefore, the application 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 applicant proposes to construct a 143,323 sq.ft. replacement nursing facility and develop 20 additional nursing facility beds pursuant to Policy NH-2. The existing nursing facility will be relocated from 3625 Willard Farrow Drive, Charlotte to 3201 Bishops Way Lane, Charlotte, on the same campus of the CCRC. The replacement nursing facility will feature all private rooms. Exhibit 23 contains a letter from the architectural firm, CJMW Architecture, certifying that the total construction costs are

estimated to be \$27,281,919, which is consistent with the costs reported by the applicants in Section VIII.1, page 115. The letter states in part:

*“I have worked with Aldersgate Methodist Retirement Community and with its other consultants, including civil engineers, landscape architects, mechanical and electrical engineers, and Contractor to prepare an opinion of probable construction cost for the above referenced project based upon our experience with similar projects. The estimate is for a project which includes:*

- 1. Demolition of the existing 5,175 SF Aldersgate Environmental Services Building in order to clear the site.*
- 2. Construction of a new 6,629 SF Environmental Services Building to replace the one that will be demolished.*
- 3. Construction of a new 136,694 SF Building which will include 120 Nursing Beds and 5 ACH Beds.*

*The project is further illustrated in the drawings that accompany this letter. The estimated construction cost for the project is \$2,523,632 for site work and \$24,758,287 for building construction. This does not include other costs, shown on schedules in this Application, for equipment, furnishings, fees, financing and other costs which are part of total project cost. ...”*

In Section XI.14, page 145, the applicant discusses various techniques and policies they will consider implementing to address energy efficiency and water conservation. These include, but are not limited to: a Variable Flow Refrigerant (VFR) HVAC System, a condensing boiler for domestic hot water, energy efficient fixtures, bulbs and lamps and a switching and control system for lighting. The applicant adequately demonstrates that the cost, design and means of construction represent the most reasonable alternative for the project they propose, 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 hereby incorporated by reference as if set forth fully herein. Therefore, the application is conforming to 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;

NA

- (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;

NA

- (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

NA

- (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.

NA

- (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 Exhibit 8, the applicant provides copies of letters sent to Queens University of Charlotte, Central Piedmont Community College and Pfeiffer University offering the replacement nursing facility as a clinical training site. The applicant adequately demonstrates that the proposed project will accommodate the clinical needs of 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.

NA

- (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 Nursing Home Licensure and Certification Section, DSHR, there were no incidents for which licensure penalties, suspension of admission, provisional licensure or certification deficiencies constituting substandard quality of care was imposed at Asbury Care Center within the 18 months immediately preceding the date of the decision through the date of the decision.

Therefore, the application is conforming to this criterion.

- (21) Repealed effective July 1, 1987.
- (b) The Department is authorized to adopt rules for the review of particular types of applications that will be used in addition to those criteria outlined in subsection (a) of this section and may vary according to the purpose for which a particular review is being conducted or the type of health service reviewed. No such rule adopted by the Department shall require an academic medical center teaching hospital, as defined by the State Medical Facilities Plan, to demonstrate that any facility or service at another hospital is being appropriately utilized in order for that academic medical center teaching hospital to be approved for the issuance of a certificate of need to develop any similar facility or service.

C

The proposal is conforming with all applicable Criteria and Standards for Nursing Facility or Adult Care Home Facility Services, promulgated in 10A NCAC 14C .1100, as indicated below.

**SECTION .1100 – CRITERIA AND STANDARDS FOR NURSING FACILITY OR ADULT CARE HOME SERVICES**

**10A NCAC 14C .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.*

- C- The applicant projects an occupancy level for the entire facility for each of the first eight calendar quarters following completion of the proposed project in

Section IV.2, pages 77-78, and provides all assumptions and the specific methodology used to project occupancy in Section IV.2., pages 74-77.

- (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.*
- C- In Section III.9, pages 70-71, the applicant projects patient origin by percentage by county residence and provides the specific methodology by which patient origin was projected as shown in the table below.

**Projected Patient Origin  
First Full Federal Fiscal Year  
FFY 2018**

<b>County</b>	<b>Percent of Total NF Admissions</b>
Mecklenburg	98.9%
Other*	1.1%
<b>Total</b>	<b>100.0%</b>

\*Other includes Cabarrus, Forsyth, Randolph, Rowan, and Wake counties

- (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 applicant proposes to replace the existing facility and develop the 20 Policy NH-2 NF beds as part of a CCRC.
- (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 applicant proposes to replace the existing facility and develop the 20 Policy NH-2 NF beds on the existing campus of the CCRC which is owned by the applicant.
- (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.*

-C- The applicant proposes to replace the existing facility and develop the 20 Policy NH-2 NF beds on an existing site owned by the applicant and no alternative site is under consideration. The applicant also states that since Aldersgate is proposing a change in the number of allowed beds, a rezoning plan is required. In Section XI.2 pages 135-136, the applicant describes the procedures for obtaining zoning changes for the replacement facility.

(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.*

-C- In Section II.1, page 20, the applicant states that the physical plant will conform to 10A NCAC 13D. See also Section XI.5-9, pages 140-143.

**10A NCAC 14C .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.*

-C- In Section IV.1, page 73, the applicant provides the nine month historical occupancy of the 100 existing nursing facility beds, as shown in the table below.

**Table IV.1-Aldersgate NF  
 Historical Utilization for Preceding Nine Months  
 July 1, 2013 through March 31, 2014**

	1	2	3	4	5	6	7	8	9	Total
Patient Days	2,778	2,874	2,821	2,836	2,679	2,666	2,833	2,637	2,694	<b>24,818</b>
Occupancy Rate	90%	93%	94%	91%	89%	86%	91%	94%	87%	<b>91%</b>
# of Beds	100	100	100	100	100	100	100	100	100	<b>100</b>

(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 II, page 21 and Section IV, page 78, the applicant projects that occupancy of the 120 NF beds will be 91% during FFY 2018 (the second full FFY). The assumptions and methodology by which occupancy was projected are provided in Section IV, pages 74-77. See Criterion (3) for additional discussion which is hereby incorporated by reference as if set forth fully herein.
- (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 applicant does not propose to add ACH beds as part of this application.
- (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 applicant does not propose to establish a new adult care home facility or add ACH beds as part of this application.