

ATTACHMENT – REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA – Conditional

NC – Nonconforming

NA = Not Applicable

Decision Date: April 29, 2015

Findings Date: April 29, 2015

Project Analyst: Tanya S. Rupp

Assistant Chief: Martha J. Frisone

Project ID #: M-10367-14

Facility: Cumberland County Rehabilitation Center

FID #: 140467

County: Cumberland

Applicants: Liberty Healthcare Services of Golden Years Nursing Center, LLC
Liberty Healthcare Properties of Cumberland County, LLC

Project: Relocate 58 nursing facility beds from Golden Years Nursing Home and 36 adult care home beds from Mann St Residential Care Facility to a newly developed combination nursing facility

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 applicants, Liberty Healthcare Services of Golden Years Nursing Center, LLC (“**Golden Years**”) and Liberty Healthcare Properties of Cumberland County, LLC (“**Liberty Properties**”), propose to relocate 58 nursing facility (NF) beds from Golden Years, relocate 36 adult care home (ACH) beds from Mann St Residential Care Facility (“**Mann Street RCF**”), and construct a replacement combination nursing facility in Cumberland County. In Section II.2, page 11, the applicants state that the facility will provide memory and Alzheimer’s care in the adult care beds. Currently, Golden Years Nursing Facility has 2 private beds, 44 semi-private beds, and 12 ward beds, for a total of

58 nursing facility beds. Mann St RCF has 36 ACH beds. On page 34, the applicants state Mann St RCF is no longer operational.

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, the following policies are applicable to this review:

- Policy LTC-2: Relocation of Adult Care Home Beds (page 31, 2014 SMFP)
- Policy NH-6: Relocation of Nursing Facility Beds (pages 28 – 29, 2014 SMFP)
- Policy NH-8: Innovations in Nursing Facility Design (page 30, 2014 SMFP)
- Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities (page 38, 2014 SMFP)

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 Cumberland County. Therefore, the number of licensed ACH beds in Cumberland County will not change as a result of this proposal. The application is consistent with Policy LTC-2.

Policy NH-6: Relocation of Nursing Facility Beds states

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

- 1. Demonstrate that the proposal shall not result in a deficit in the number of licensed nursing facility beds in the county that would be losing nursing facility beds as a*

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

Both the existing and proposed locations are in Cumberland County. Therefore, the number of licensed NF beds in Cumberland County will not change as a result of this proposal. The application is consistent with Policy NH-6.

Policy NH-8: Innovations in Nursing Facility Design states:

“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 33 – 34, the applicants describe the innovative approaches in care practices, work place practices and environmental design associated with the replacement facility. The information is reasonable and adequately supports the conclusion that the application is consistent with Policy NH-8.

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."

In Section III.4, page 34, the applicants describe 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 subject to Condition (5) in Criterion (4).

- (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 applicants propose to relocate 58 NF beds from Golden Years, relocate 36 ACH beds from Mann St Residential Care Facility, and construct a replacement combination nursing facility in Cumberland County. In Section II.2, page 11, the applicants state that the facility will provide memory and Alzheimer's care in the adult care beds.

Population to be Served

In Section III.8, page 38, the applicants provide the current patient origin at Golden Years, as illustrated in the table below.

2014 Golden Years Patient Origin by County

COUNTY	% OF TOTAL NF ADMISSIONS
Cumberland	44.9%
Harnett	23.7%
Sampson	13.6%
Wake	5.9%
Other*	11.9%
Total	100.0%

*On page 38, the applicant identifies the other counties as Pitt, Person, Columbus, Mecklenburg, Johnston, Burke, Duplin, Robeson, and Scotland.

The adult care home beds are not currently in use, so there is no historical patient origin data for those beds.

In Section III.7, page 38, the applicants project patient origin for Golden Years in the first full federal fiscal year following project completion, as illustrated in the table below:

Projected Patient Origin

COUNTY	% OF TOTAL NF ADMISSIONS	% OF TOTAL ACH ADMISSIONS
Cumberland	81.5%	90.0%
Harnett	6.5%	5.0%
Sampson	6.0%	5.0%
Hoke	4.0%	0.0%
Moore	2.0%	0.0%
Total	100.0%	100.0%

On page 39, the applicants provide the assumptions used to project patient origin at the replacement facility. The applicants adequately identify the population to be served.

Analysis of Need

In Section III.1, pages 29 - 31, the applicants describe the need to relocate the 58 NF beds from Falcon and the 36 ACH beds to a new combination nursing facility in Fayetteville. According to MapQuest®, the distance from the current location of Golden Years to the proposed location of the new combination nursing facility is approximately 18 miles. The distance from the current location of the ACH beds to the proposed location of the new combination facility is approximately 3.5 miles.

In Section III.1, page 29, the applicants state:

“The 58 nursing facility (NF) beds and the 36 ACH beds will be located together in a brand new, state of the art facility in the western portion of Fayetteville/Cumberland County. There is a significant need for additional NF and ACH beds in the Seventy-First Township and combining these beds into one facility will make it feasible for the applicant to construct a financially viable 94 bed facility. Simply put, with only the 58 NF beds or the 36 ACH beds the applicants would be unable to construct a new facility built to today's standards that would have the economies of scale necessary to operate in a financially sound manner.”

An analysis of the Cumberland County population by township reveals a significant gap in the distribution of existing NF and ACH beds. In particular, the central area of the county (Cross Creek Township/Fayetteville proper) has been overbuilt relative to the projected population. Meanwhile, the Seventy-First Township in the western portion of the county has experienced significant population growth with no corresponding development of new licensed facilities to meet the expected demand.”

The following table illustrates the surplus and deficit of NF and ACH beds in each township in Cumberland County, as determined by the applicants:

TOWNSHIP	NF BED (DEFICIT) / SURPLUS	NF BED (DEFICIT) / SURPLUS
Seventy-First	(138)	(116)
Carvers Creek	(67)	(63)
Cedar Creek	(48)	118
Manchester	(37)	(32)
Grays Creek	(30)	(29)
Rockfish	(13)	(49)
BeaverDam	(6)	(5)
Eastover	30	14
Black River	49	72
Pearces Mill	65	12
Cross Creek	250	92

On pages 29 – 30, the applicants state:

“From the table above, a clear discrepancy exists between the Seventy-First Township and the Cross Creek Township which have the largest NF and ACH deficit and surplus, respectively. The 36 ACH beds that are the subject of this proposal are currently located in the Cross Creek Township, which is over bedded by 92 ACH beds. The Golden Years facility is currently located in the rural township of Black River, which has a total population of 2,154 people and the second lowest NF bed need at 9 beds. The Claritas data used in the applicants’ analysis shows a projected growth in the 65+ and total population of only 73 people and 49 people, respectively, in the Black River Township over the next five years. Conversely, the data examined projects growth in the Seventy-First Township of 1,997 and 5,735 in the 65+ and total population, respectively. This is the largest growth projection of any township in the county. The township is also estimated to be by far the most heavily populated area in the county at 98,720. The second most populous township is Cross Creek at 67,120. Seventy-First Township has a population 47% larger than that of Cross Creek, but only 14% of the total NF beds in the two townships.”

Falcon, the town in which Golden Years is currently located, is located in the Black River Township, in the northeastern part of the county. Mann Street RCF is located in the Cross Creek Township, in the west-central part of the county.

In Exhibit 9, the applicants provide population growth projections for each township. The data shows that, in the Seventy-First Township, the population of persons age 65 and over is projected to grow by 24.6% from 2014 to 2019, while the population of the township as a whole is projected to grow by 5.8%. In addition, in the Cross Creek Township, the population of persons age 65 and over is projected to grow by 14.8%, and the population of the entire township is projected to grow by 2.6% during the same time. The Cross Creek and Seventy-First townships are adjacent to each other.

On page 30, the applicants state:

“On the surface, it would appear that these two adjacent townships would even each other out, with a combined NF surplus of 112 beds and a deficit of 24 ACH beds. However, closer examination of the 2014 License Renewal Applications paints a different picture. The existing licensed facilities closest to the proposed facility site are all highly occupied.”

The following table, from page 30, illustrates occupancy at the existing facilities located near the proposed site:

FACILITY	NF OCCUPANCY	ACH OCCUPANCY
Autumn Care of Fayetteville	94%	NA
Haymount Rehab & Nursing Center	91%	87%
Highland House Rehab & Nursing Center	83%	75%
Woodlands Nursing & Rehab	88%	94%
Whispering Pines Nursing & Rehab Center	91%	NA

On page 30, the applicants state the lowest occupancy reported by any Cumberland County nursing facility is 46%, at The Rehabilitation and Health Care Center at Village Green which, according to the applicants, is owned by an orthopedic surgeon and used primarily as short-term rehab for his patients.

The applicants state:

“The table above demonstrates that there is limited excess capacity in this area of Cumberland County and it will be insufficient to meet the demand growth as this population continues to expand in the coming years. Golden Years is the second lowest occupied facility, but at 78% it stays relatively full, despite its location in a very rural part of the county. The applicants expect that a majority of existing residents will transfer to the new facility, shortening the anticipated fill up period. As stated previously, there is a net bed deficit of 116 ACH beds in Seventy-First Township and even when one combines the Cross Creek and Seventy-First Township bed needs there is still a 24 bed deficit. The applicants feel that this need will continue to increase in the future and there will be strong demand for the 36 ACH beds in this proposal.”

In Section III.1, page 31, the applicants state the only other combination nursing facilities in Cumberland County are Haymount Rehabilitation and Nursing Center, Highland House Rehabilitation and Nursing Center, and Woodlands Nursing and Rehabilitation Center. As shown in the table above, those facilities reported occupancy levels from 83% to 91% in the NF beds, and 75% to 94% in the ACH beds in their 2014 License Renewal Applications.

On page 31, the applicants state:

“These facilities are among the highest occupied facilities in the county, leading the applicants to believe that there is a strong demand for facilities that can

provide multiple levels of care in one facility. This allows a resident to "age in place" and to move between levels of care without the disruption and headache of transferring to different facilities. This greatly contributes to a resident's overall quality of life and the applicants feel it is important to provide this option when possible."

The data shows that actual occupancy levels in the county as a whole are high. Some of the existing facilities are unoccupied and some report misleadingly low occupancy rates because they are using semi-private rooms as private pay rooms. Additionally, the applicants state some of the facilities are outdated, and even have ward rooms (more than two beds per room).

Moreover, in Section III.2, page 31, the applicants state that the current building in which Golden Years is situated is owned by the Falcon Children's Home, which desires to take possession of the building at lease termination.

In Exhibit 10, the applicants provide 20 letters signed by current residents of Golden Years, each indicating a desire to transfer their care to the replacement facility.

In Exhibit 14, the applicants provide 84 letters of support from area physicians, nurses, hospitals and other facilities, all of which indicate support for the proposal.

Projected Utilization

In Section IV.1, pages 42 - 43, the applicants project occupancy for the proposed replacement facility in the first two federal fiscal years of operation, as shown in following tables:

FIRST FULL FEDERAL FY	1ST QTR 10/1 – 12/31	2ND QTR 1/1 – 3/31	3RD QTR 4/1 – 6/30	4TH QTR 7/1 – 9/30	TOTAL
Nursing Facility Beds					
Patient Days	4,232	4,860	4,914	4,968	18,974
# Beds	58	58	58	58	58
% Occupancy	79%	93%	93%	93%	90%
Adult Care Home Beds					
Patient Days	1,533	2,970	3,003	3,036	10,542
# Beds	36	36	36	36	36
% Occupancy	46%	92%	92%	92%	80%
Total Facility					
Patient Days	5,765	7,830	7,917	8,004	29,516
# Beds	94	94	94	94	94
% Occupancy	67%	93%	93%	93%	86%
SECOND FULL FEDERAL FY	1ST QTR 10/1 – 12/31	2ND QTR 1/1 – 3/31	3RD QTR 4/1 – 6/30	4TH QTR 7/1 – 9/30	TOTAL
Nursing Facility Beds					
Patient Days	4,968	4,860	4,914	4,968	19,710
# Beds	58	58	58	58	58
% Occupancy	93%	93%	93%	93%	93%
Adult Care Home Beds					
Patient Days	3,036	2,970	3,003	3,036	12,045
# Beds	36	36	36	36	36
% Occupancy	92%	92%	92%	92%	92%
Total Facility					
Patient Days	8,004	7,830	7,917	8,004	31,755
# Beds	94	94	94	94	94
% Occupancy	93%	93%	93%	93%	93%

The applicants adequately demonstrate the need to relocate the existing NF and ACH beds and to develop a replacement combination nursing facility.

Access

In Section VI.1, page 49, the applicants report the following historical payor mix for Golden Years from October 31, 2012 through September 30, 2013:

PAYOR SOURCE	NURSING RESIDENTS
Private Pay	1.1%
Medicare	4.6%
Medicaid	92.5%
Hospice	0.5%
Other (VA, HMA, various)	1.3%
Total	100%

In addition, on page 50, the applicants project the payor mix shown below during the second full federal fiscal year following project completion:

PAYOR SOURCE	NURSING RESIDENTS	ACH RESIDENTS
Private Pay	12.96%	57.58%
Medicare	18.52%	0.00%
Medicaid	68.52%	0.00%
Hospice	0.00%	0%
County Assistance	0.00%	42.42%
Total	100.00%	100.00%

The applicants adequately demonstrate the extent to which all residents of the area, including medically underserved groups, are likely to have access to the proposed services.

Conclusion

In summary, the applicants adequately identify the population to be served, adequately demonstrate the need for the proposal, and adequately demonstrate the extent to which all residents of the area, including medically underserved groups, are likely to have access to the proposed 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.

C

The applicants propose to replace and relocate 58 NF beds from Golden Years and 36 ACH beds from Mann Street RCF to a new combination nursing facility. Golden Years is in Falcon, in Cumberland County; and Mann Street RCF is in Fayetteville, also in Cumberland County. The proposed facility, Cumberland County Rehabilitation Center, is to be located in Fayetteville, in Cumberland County. In Section III.7, pages 37 - 38, the applicants address how the needs of the population currently utilizing the nursing facility (Golden Years) will be met following the relocation. The ACH beds are not currently in use. The information is reasonable and adequately supports a finding of conformity 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, pages 31 - 32, the applicants discuss the alternatives considered prior to the submittal of this application, which include:

- 1) Maintain the Status Quo - The applicants dismissed this alternative because the current Golden Years facility is leased from the Falcon Children's Home, and that entity wishes to reoccupy the building. Even if the facility were not reverting to the Falcon Children's Home, there is insufficient space in which to relocate the 36 ACH beds as proposed in this application. Furthermore, to maintain the status quo and surrender the license for the 58 NF and 36 ACH beds due to a lack of space would leave the county with a deficit of 4 NF beds and 23 ACH beds.
- 2) Build a new facility at the existing location – The applicants dismissed this alternative because there is limited accessibility for the rest of the county's residents, there is no existing medical services such as physicians or hospitals in close proximity, and there are other areas of the county that are in need of additional licensed beds.
- 3) Develop the facility without relocating the ACH beds from Mann St Residential Care Facility – the applicants dismissed this alternative because a combination facility better serves patients who are in need of differing levels of care, and allows patients to “age in place.” Additionally, it would not be financially feasible to develop a new facility with 58 NF beds.
- 4) Relocate 58 NF beds from Golden Years and 36 ACH beds from Mann St Residential Care Facility - the applicants concluded that the proposal to relocate the existing 58 NF beds from Golden Years and the existing 36 ACH beds from Mann St Residential represented the most effective alternative to meet the need for nursing and adult care services in Cumberland County, and to provide increased access to those services. Thus, the applicants concluded that the project as proposed was their least costly and most effective alternative.

The applicants propose to relocate 58 existing NF beds and 36 existing ACH beds from two outdated facilities and develop a combination facility that offers both nursing and adult care services within the same county; the applicants do not propose to develop any new beds or offer any new services.

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 relocate 18 ACH beds, re-license five of those beds as SCU beds, and develop a new addition to an existing ACH facility. Consequently, the application is conforming to this criterion and is approved subject to the following conditions.

- 1. Liberty Healthcare Services of Golden Years Nursing Center, LLC, and Liberty Healthcare Properties of Cumberland County, LLC shall materially comply with all representations made in the certificate of need application.**

2. **Liberty Healthcare Services of Golden Years Nursing Center, LLC, and Liberty Healthcare Properties of Cumberland County, LLC shall relocate no more than 58 NF beds from Golden Years Nursing Facility and 36 ACH beds from Mann St Residential Care Facility to the proposed Cumberland County Rehabilitation Center.**
 3. **For the first two years of operation following completion of the project, Liberty Healthcare Services of Golden Years Nursing Center, LLC, and Liberty Healthcare Properties of Cumberland County, LLC 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 Agency that the proposed increase is in material compliance with the representations in the certificate of need application.**
 4. **Liberty Healthcare Services of Golden Years Nursing Center, LLC, and Liberty Healthcare Properties of Cumberland County, LLC shall provide care to recipients of State/County Special Assistance with Medicaid consistent with the representations made in Section VI. 2.**
 5. **Liberty Healthcare Services of Golden Years Nursing Center, LLC and Liberty Healthcare Properties of Cumberland County, LLC 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.**
 6. **Liberty Healthcare Services of Golden Years Nursing Center, LLC, and Liberty Healthcare Properties of Cumberland County, LLC shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Agency 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 66, the applicants project the total capital cost for the proposal will be \$15,022,507, which includes:

Purchase Price of Land	\$ 2,200,000
Inspection, Closing Costs	\$ 13,500
Site Costs	\$ 1,500,000
Construction Costs	\$ 9,844,808
Equipment and Furniture	\$ 940,000

Consultant fees, Contingency	\$ <u>524,200</u>
Total*	\$15,022,508

*The \$1 difference is not material.

In Section IX, pages 72 and 74, the applicants project start-up expenses in the amount of \$67,450 and initial operating expenses of \$159,905, for a total working capital cost of \$227,355. In Section VIII.2, page 68, the applicants indicate that the entire capital cost of the project will be financed with owners' equity. In Section IX, page 74, the applicants state the working capital costs of the project will also be financed with owner's equity.

Exhibit 17 contains a copy of a November 10, 2014 letter from the John A. McNeill, Jr. and Ronald B. McNeill, which states in part:

"Our ownership interests in each of the Applicants are as follows:

- *Liberty Healthcare Properties of Cumberland County, LLC – The sole member of this entity is Liberty Real Properties, LLC. We are the only two member/managers of Liberty Real Properties, LLC*
- *Liberty Healthcare Services of Golden Years Nursing Center, LLC – The sole member of this entity is Liberty Long Term Care, LLC, the sole member of which is Liberty Healthcare Group, LLC. We are the only two member/managers of Liberty Healthcare Group, LLC.*

We have both agreed and are both committed to personally funding the Proposed Project, the construction and operation of the proposed addition, including any working capital, start-up and capital expenditures associated with the project. We personally have sufficient funds to provide for the required equity and start up operating capital for the development of the Proposed Project if it is approved."

In addition, in Exhibit 17, the applicants provide a November 10, 2014 letter from a certified public accountant that states:

"I am the CPA for both Mr. John A. McNeill, Jr. and Mr. Ronald McNeill. I understand that they have agreed to provide the funding for the capital costs and working capital associated with a proposed replacement facility for Golden Years Nursing Home in Cumberland County, NC.

I am aware of the McNeill's financial status, including current liabilities and debt obligations and I will attest that John A. McNeill Jr. and Ronald B. McNeill each have in excess of \$10,000,000 in cash, stocks, or short term investments in order to fund the construction and operation of the proposed addition, including any working capital, start-up and capital expenditures associated with the project."

In addition, in Exhibit 18, the applicants provide financial statements dated November 2014 for Liberty Long Term Care Facilities.

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

In Section X, pages 78 - 82, the applicants project charges/rates for the first two operating years following completion of the project, as shown in the following table:

	First Federal Fiscal Year (10/1/19 – 9/30/20)		Second Federal Fiscal Year (10/1/20 – 9/30/21)	
	Private Room	Semi-Private Room	Private Room	Semi-Private Room
Nursing Unit				
Private Pay	\$263.23	\$246.58	\$263.23	\$246.58
Commercial Insurance	\$263.23	\$246.58	\$263.23	\$246.58
Medicare	\$441.68	\$441.68	\$441.68	\$441.68
Medicaid	\$163.68	\$163.68	\$163.68	\$163.68
ACH Beds				
Private Pay	\$163.88	\$163.88	\$163.88	\$163.88
County Assistance	\$57.11	\$57.11	\$57.11	\$57.11

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

Cumberland County Rehabilitation Center			
	NURSING BEDS	ACH BEDS	TOTAL FACILITY
First Full Project Year (FFY 2020)			
Revenues	\$4,368,504	\$1,257,276	\$5,625,780
Operating Costs	\$4,005,571	\$ 989,652	\$4,995,223
Net Income	\$ 362,933	\$ 267,624	\$ 630,557
Second Full Project Year (FFY 2021)			
Revenues	\$4,551,403	\$1,431,971	\$5,983,374
Operating Costs	\$4,018,976	\$1,036,724	\$5,055,700
Net Income	\$ 532,427	\$ 395,247	\$ 927,674

The assumptions used to project revenues and operating costs are found at the end of the pro formas. The applicants adequately demonstrate that projected revenues and operating costs are based on reasonable and adequately supported assumptions, including projected utilization. The discussion of projected utilization found in Criterion (3) is incorporated herein by reference.

In summary, the applicants adequately demonstrate the availability of sufficient funds for the capital and working capital needs of the project and adequately demonstrate 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.

C

The applicants propose to replace and relocate 58 NF beds and 36 ACH beds within Cumberland County. Golden Years is an existing nursing facility, located in Falcon, with 58 licensed and operational NF beds. The applicants state the facility is antiquated and in need of repair. Mann Street RCF is an existing adult care home facility, located in Fayetteville, with 36 licensed but not operational ACH beds. Both the 58 NF and 36 ACH beds are currently included in the inventory of NF and ACH beds in Chapters 10 and 11, respectively, in the 2014 SMFP. Therefore, the proposed project would not result in an increase or a decrease in the inventory of NF or ACH beds in Cumberland County.

There are currently 11 existing nursing facilities and 16 existing adult care home facilities in Cumberland County. In Section III, pages 29 – 31, the applicants discuss the location of the existing facilities relative to population groups in the county. The applicants state there is a “*significant gap*” in the distribution of the existing NF and ACH beds in the county, and a need for combination nursing facilities in the county which will allow residents to age in place and not have to move from one facility to another as their medical needs change.

The applicants adequately demonstrate that the proposed project would not result in the unnecessary duplication of existing or approved NF or ACH beds in Cumberland County. Therefore, the application is conforming to this criterion.

- (7) The applicant shall show evidence of the availability of resources, including health manpower and management personnel, for the provision of the services proposed to be provided.

C

The applicants propose to provide direct care staff twenty-four hours per day, seven days per week. In Section VII.4, page 63, the applicants state that by FFY 2021 (the second full federal fiscal year) the entire facility will be staffed by 45.59 direct care full-time equivalent (FTE) positions (30.89 in the NF and 14.70 in the ACH). The applicants project 3.13 direct care hours per patient day for the NF beds, and 2.45 direct care hours per patient day for the ACH beds. 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.

C

In Section II.4, page 24, the applicants identify the ancillary and support services that will be provided by the facility or made available through agreements with other providers. In Section V.2 and V.3, on page 47, the applicants state that they contacted and received confirmation of continued support for the proposed project from Cape Fear Valley Medical Center, Harnett Health, and Highsmith Rainey Hospitals. Golden Years is an existing facility with ancillary and support providers in place. 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 system. Therefore, the application is conforming to this criterion.

- (9) An applicant proposing to provide a substantial portion of the project's services to individuals not residing in the health service area in which the project is located, or in adjacent health service areas, shall document the special needs and circumstances that warrant service to these individuals.

NA

- (10) When applicable, the applicant shall show that the special needs of health maintenance organizations will be fulfilled by the project. Specifically, the applicant shall show that the project accommodates: (a) The needs of enrolled members and reasonably anticipated new members of the HMO for the health service to be provided by the organization; and (b) The availability of new health services from non-HMO providers or other HMOs in a reasonable and cost-effective manner which is consistent with the basic method of operation of the HMO. In assessing the availability of these health services from these providers, the applicant shall consider only whether the services from these providers: (i) would be available under a contract of at least 5 years duration; (ii) would be available and conveniently accessible through physicians and other health professionals associated with the HMO; (iii) would cost no more than if the services were provided by the HMO; and (iv) would be available in a manner which is administratively feasible to the HMO.

NA

- (11) Repealed effective July 1, 1987.
- (12) Applications involving construction shall demonstrate that the cost, design, and means of construction proposed represent the most reasonable alternative, and that the construction project will not unduly increase the costs of providing health services by the person proposing the construction project or the costs and charges to the public of providing health services by other persons, and that applicable energy saving features have been incorporated into the construction plans.

C

The applicants propose to build a combination nursing facility with 58 NF beds and 36 ACH beds. The applicants propose 66,295 square feet of construction with 28 private NF beds, 30 semi-private NF beds, 14 private ACH beds and 22 semi-private ACH beds.

In Section VIII.1, page 66, the applicants state construction costs are projected to be \$9,844,808, and site costs are projected to be \$1,500,000. Exhibit 27 contains a letter from an architect stating that the estimated construction cost for the facility is \$9,844,808 and the estimated site preparation costs are \$1,500,000.

In Section XI, pages 93 – 94, the applicants describe the energy and water saving features to be included in the proposed project.

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. The discussion of costs and charges found in Criterion (5) is incorporated herein by reference. 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;

C

Golden Years is an existing nursing facility with 58 NF beds. Mann Street RCF is an existing adult care home but the 36 beds that are the subject of this proposal are not currently in use. In Section VI.1, page 49, the applicants provide the current payor mix for the nursing facility, as illustrated in the table below.

October 2012 – September 2013

PAYOR	CURRENT NF DAYS AS A % OF TOTAL DAYS
Private Pay	1.1%
Medicare	4.6%
Medicaid	92.5%
Hospice	0.5%
Other (HMA, VA)	1.3%
Total	100.0%

The Division of Medical Assistance (DMA) maintains a website which provides the number of persons eligible for Medicaid in North Carolina, and estimates the percentage of uninsured people for each county. The following table illustrates those percentages for the proposed service area 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) *
Cumberland	18%	7.4%	20.3%
Statewide	17%	6.7%	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 rates as older segments of the population, particularly the nursing facility services offered by Golden Years.

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

The Office of State Budget & Management (OSBM) maintains a website which provides historical and projected population data for each county in North Carolina, as well as data sorted by age, race or gender. However, a direct comparison to the applicant's current payor mix would be of little value. The population data by age, race or gender do not include information on the number of elderly, handicapped, minorities or women utilizing health services.

The applicants demonstrate that medically underserved populations currently have adequate access to nursing services provided at Golden Years. 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;

C

In Section VI.6, page 51, the applicants state

“There have been no civil rights access complaints filed against the existing facility or any related facilities.”

The application is conforming to this criterion.

- (c) That the elderly and the medically underserved groups identified in this subdivision will be served by the applicant's proposed services and the extent to which each of these groups is expected to utilize the proposed services; and

C

In Section VI.3, page 50, the applicants project the following payor mix for the combination nursing facility for the second full federal fiscal year (FFY 2020):

PAYOR	NURSING FACILITY DAYS AS A % OF TOTAL DAYS	ACH DAYS AS A % OF TOTAL DAYS
Private Pay	12.96%	57.58%
Medicare	18.52%	0.00%
Medicaid	68.52%	0.00%
County Assistance	0.00%	42.42%
Total	100.00%	100.00%

The applicants demonstrate that medically underserved populations will have adequate access to the services provided by Golden Years. 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, page 48, the applicants state patients will have access to the proposed combination nursing facility through referrals by area physicians who have historically referred patients. In Exhibit 14, the applicants provide letters from area physicians and hospitals indicating support for the proposed combination nursing facility.

The applicants adequately demonstrate they will 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 Exhibit 12, the applicants provide a copy of a letter addressed to the North Carolina Central University Department of Nursing offering the facility as a clinical training site upon project completion.

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 58 NF beds and 36 ACH beds within Cumberland County. Golden Years is an existing nursing facility, located in Falcon, with 58 licensed and operational NF beds. The applicants state the facility is antiquated and in need of repair. Mann Street RCF is an existing adult care home facility, located in Fayetteville, with 36 licensed but not operational ACH beds. Both the 58 NF and 36 ACH beds are currently included in the inventory of NF and ACH beds in Chapters 10 and 11, respectively, in the 2014 SMFP. Therefore, the proposed project would not result in an increase or a decrease in the inventory of NF or ACH beds in Cumberland County.

There are currently 11 existing nursing facilities and 16 existing adult care home facilities in Cumberland County. In Section III, pages 29 – 31, the applicants discuss the location of the existing facilities relative to population groups in the county. The applicants state there is a “*significant gap*” in the distribution of the existing NF and ACH beds in the county, and a need for combination nursing facilities in the county which will allow residents to age in place and not have to move from one facility to another as their medical needs change.

See also Sections II, III, V, VI and VII 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 for the proposal and that the proposed project is a cost-effective alternative. The discussions regarding analysis of need and alternatives found in Criteria (3) and (4), respectively, are incorporated herein by reference.
- The applicants adequately demonstrate they will continue to provide quality services. The discussion regarding quality found in Criterion (20) is incorporated herein by reference.
- The applicants adequately demonstrate they will continue to provide adequate access to medically underserved populations. The discussion regarding access found in Criterion (13) is incorporated herein by reference.

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

In Section I.12, pages 7 - 8, the applicants state that they currently own, lease, or manage 20 nursing facilities in North Carolina. According to the Nursing Home Licensure and Certification Section, DHRS, during the 18 months immediately preceding the submittal of the application through the date of the decision there were 2 incidents in 2 facilities for which certification deficiencies constituting substandard quality of care were found at the facilities listed on page 8 of the application. After reviewing and considering information provided by the applicants and by the Nursing Home Licensure and Certification Section and considering the quality of care provided at all 20 facilities, the applicants provided sufficient evidence that quality care has been provided in the past and adequately demonstrated that there is no pattern of substandard quality of care. 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

Golden Years is an existing nursing facility with 58 NF beds. Mann Street RCF is an existing adult care home with 36 licensed but not operational ACH beds. The applicants propose to replace and relocate existing NF and ACH beds in this application. The applicants do not propose to establish a new nursing facility or adult care home facility or to develop new NF or ACH beds.