

## ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: April 21, 2017

Findings Date: April 21, 2017

Project Analyst: Bernetta Thorne-Williams

Team Leader: Fatimah Wilson

Project ID #: L-11281-16

Facility: Rich Square Villa

FID #: 921023

County: Northampton

Applicant: RS Health Investors, LLC  
RV Assisted Living, LLC

Project: Replace and relocate 33 adult care home beds from The Oaks at Pleasant Hill for a total of 71 adult home beds at Rich Square Villa upon project completion

### REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

N.C. Gen. Stat. §131E-183(a) The Agency shall review all applications utilizing the criteria outlined in this subsection and shall determine that an application is either consistent with or not in conflict with these criteria before a certificate of need for the proposed project shall be issued.

- (1) The proposed project shall be consistent with applicable policies and need determinations in the State Medical Facilities Plan, the need determination of which constitutes a determinative limitation on the provision of any health service, health service facility, health service facility beds, dialysis stations, operating rooms, or home health offices that may be approved.

C

The applicants, RS Health Investors, LLC (Lessor) and RV Assisted Living, LLC (Lessee) propose to replace and relocate 33 adult care home (ACH) beds from The Oaks at Pleasant Hill in Pleasant Hill to Rich Square Villa in Rich Square for a total of 71 ACH beds at Rich Square Villa upon project completion. The Oaks at Pleasant Hill (formerly known as Highland Gardens of Pleasant Hill) is a closed 66 bed licensed facility and is listed in the inventory of ACH beds in Chapter 11, Table 11A, of the 2016 State Medical Facilities Plan (SMFP). Both facilities are located in Northampton County.

### **Need Determination**

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 2016 SMFP. Therefore, there are no need determinations applicable to this review.

### **Policies**

However, Policy LTC-2: Relocation of Adult Care Home Beds in the 2016 SMFP is applicable to this review.

#### **Policy LTC-2 states:**

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

- 1. Demonstrate that the facility losing beds or moving to a continuous county is currently serving residents of that contiguous county; and*
- 2. Demonstrate that the proposal shall not result in a deficit, or increase and existing 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 North Carolina State Facilities Plan in effect at the time the certificate of need review begins; and*
- 3. Demonstrate that the proposal shall not result in a surplus, or increase an existing 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 North Carolina State Facilities Plan in effect at the time the certificate of need review begins.”*

In Section III.4, page 14, the applicants state the proposal is to relocate ACH beds within the host county, Northampton County. The number of licensed adult care home beds in Northampton County will not change with the proposed relocation of beds. Therefore, the application is consistent with Policy LTC-2.

### **Conclusion**

In summary, the applicants adequately demonstrate that the proposal is consistent with Policy LTC-2: Relocation of Adult Care Home Beds. Therefore, the application is conforming to this criterion.

- (2) Repealed effective July 1, 1987.

- (3) The applicant shall identify the population to be served by the proposed project, and shall demonstrate the need that this population has for the services proposed, and the extent to which all residents of the area, and, in particular, low income persons, racial and ethnic minorities, women, handicapped persons, the elderly, and other underserved groups are likely to have access to the services proposed.

C

The applicants propose to replace and relocate 33 ACH beds from The Oaks at Pleasant Hill located at 4427 US Highway 301 in Pleasant Hill to Rich Square Villa located at 310 North Main Street in Rich Square for a total of 71 ACH beds at Rich Square Villa upon project completion. According to the information obtained from the Adult Care Licensure Section, DHSR, Rich Square Villa is currently licensed for 38 ACH beds, none of those bed are located in a special care unit (SCU). The Oaks at Pleasant Hill is a closed 66-bed licensed facility and is listed in the inventory of ACH beds in Chapter 11, Table 11A, of the 2016 State Medical Facilities Plan (SMFP). Both facilities are located in Northampton County. A concurrent application was filed to relocate the remaining 33 ACH beds from The Oaks at Pleasant Hill to another ACH facility in Northampton County.

Rich Square Villa is managed by Affinity Living Group which will continue to manage the facility upon project completion. The applicants state The Oaks at Pleasant Hill was closed due to deficiencies cited on an October 2013 survey related to *“non-compliance with some physical regulations”* which resulted in the facility’s inability to serve clients until those issues were resolved. See Exhibit D for a copy of the agreement between The Oaks at Pleasant Hill and North Carolina Department of Health and Human Services, Division of Health Service Regulation, Adult Care Licensure Section. In supplemental information dated April 3, 2017, the applicants provide a copy of the Deed of Trust for The Oaks at Pleasant Hill.

**Patient Origin**

On page 223, the 2016 SMFP defines the service area for adult care home beds as *“the adult care home bed planning area in which the bed is located. Ninety-eight counties in the state are separate adult care home planning areas. Two counties, Hyde and Tyrrell, are considered a combined service area.”* Thus, the service area for this facility consists of Northampton County. Facilities may also serve residents of counties not included in their service area.

In Section III.7(a) and (b), pages 15-16, the applicants provide the historical and projected patient origin as shown in the table below.

County	Historical % of Total ACH Admissions	Projected % of Total ACH Admissions
Northampton	95.0%	95.0%
Halifax	5.0%	5.0%
Total	100.0%	100.0%

On page 16, the applicant states that the projected patient origin is based on the existing patient origin.

The applicants adequately identify the population to be served.

### **Analysis of Need**

In Section III.1, page 13, the applicants state the need to relocate 33-beds from The Oaks at Pleasant Hill is because the facility “*lacked modern systems and design elements and had reached the end of its useful life*”. The applicants further state on page 13 that, “*These beds will be utilized in a state-of-the art 33-bed addition to be constructed as part of the existing Rich Square Villa ... The renovated facility will be well suited to provide for resident’s safety and quality healthcare ...*” In Exhibit F, the applicants provide a copy of the Northampton County Aging Report for 2013-2033. The report includes an aging profile for population change and projected population growth for North Hampton County.

Supplemental information received from the applicants on February 11, 2017, the applicants state, “*The average age of residents in the current census population of Rich Square Villa is 71 years.*”

In additional supplemental information dated March 24, 2017, the applicants state that Rich Square Villa has historically operated with 90+% occupancy and that the facility has a waiting list. In additional supplemental information dated March 24, 2017, the applicants provide a copy of an email dated March 31, 2017, which states:

*“Please accept this email as a formal request of consideration to relocate the beds that are currently located on Hwy 301 in Northampton County ... We are requesting the move of 33 beds to ... so we may meet the needs of our county residents and allow them to maintain their residency in Northampton County.*

*The move of the beds would enable our facility to not only meet the needs of the community, but rather to offer the community an affordable place to live and to promote cost effective approaches in healthcare services that much needed. [sic]*

*With the added beds, Hampton Manor will no longer need a waiting list, or will have to refer our Northampton County residents to another county to live. ...”*

Although, the ACH beds at The Oaks of Pleasant Hill are licensed those beds have not been operational since 2013. Information obtained from 2016 ACH licensure renewal applications (2016 LRAs), show the five ACH facilities in Northampton County had the following occupancy rate as of July 31, 2015:

Facility	Total # of Licensed Beds	# of ACH Beds	# of SCU Beds	Total # of Residents	Occupancy
Hampton Manor	82	42	40	79	96.34%
The Oaks at Pleasant Hill	66	66	0	0	0.0%
Pine Forest Rest Home	24	24	0	23	95.83%
Rich Square Manor	32	0	32	32	100.0%
Rich Square Villa	38	38	0	35	92.11%
Total	242	170	72	169	69.83%

Source: 2016 License Renewal applications

To determine the utilization of each facility, the analyst divided the number of residents by the number of beds for each facility [example: Rich Square Villa 35 residents / 38 beds = 0.92105 or 92.11% occupancy]. This occupancy includes SCU beds.

However, as the 66 ACH beds at The Oaks at Pleasant Hill are vacant the project analyst also calculated the utilization for the county based on the operational facilities, as illustrated below.

Facility	Total # of Licensed Beds	# of ACH Beds	# of SCU Beds	Total # of Residents	Occupancy
Hampton Manor	82	42	40	79	96.34%
Pine Forest Rest Home	24	24	0	23	95.83%
Rich Square Manor	32	0	32	32	100.0%
Rich Square Villa	38	38	0	35	92.11%
Total	176	104	72	169	96.02%

Source: 2016 License Renewal applications

Without the inclusion of the 66 licensed, but nonoperational ACH beds from The Oaks of Pleasant Hill, the ACH facilities in Northampton County operated with a 96.02% occupancy rate for fiscal year (FY) 2015.

The applicants adequately demonstrate the need to relocate 33 ACH beds from The Oaks at Pleasant Hill to Rich Square Villa as Rich Square Villa operated with 92.11% occupancy in FY2015 as of reported in the 2016 LRA.

Projected Utilization

In Section IV, page 17, the applicants provide the historical utilization for Rich Square Villa for the last full operating year calendar year (CY) 2015. In Section IV, page 18, the applicants provide projected utilization for the first two years of operations for the proposed project, as summarized in the following tables.

**Rich Square Villa Projected Utilization  
 First Project Year (October 2019 – September 2020)**

	<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 4/1/17-6/30/20</b>	<b>4<sup>TH</sup> QUARTER 7/1/17-9/30/20</b>	<b>TOTAL</b>
Patient Days	3,864	4,368	4,914	5,518	18,664
# Beds	71	71	71	71	71
Occupancy Rate	59.2%	67.6%	76.1%	84.5%	72.0%

**Rich Square Villa Projected Utilization  
 Second Project Year (October 2020 – September 2021)**

	<b>1<sup>ST</sup> QUARTER 10/1/20– 12/31/20</b>	<b>2<sup>ND</sup> QUARTER 1/1/21– 3/31/21</b>	<b>3<sup>RD</sup> QUARTER 4/1/21-6/30/21</b>	<b>4<sup>TH</sup> QUARTER 7/1/21-9/30/21</b>	<b>TOTAL</b>
ACH Resident Days	6,010	5,940	6,006	6,072	24,028
# Beds	71	71	71	71	71
Occupancy Rate	92.0%	93.0%	93.0%	93.0%	92.7%

As shown above, in the second year following completion of the proposed project, the applicants project the 71 ACH beds will operate at 92.7% of capacity [ $24028/365/71 = 0.9271$  or 92.7%]

In Exhibit K, the applicants provide their assumption for projected utilization of Rich Square Villa, as follows:

- 1) *“Occupancy*
  - A) *Facility begins operations with 40 reserved beds on October 01, 2019*
  - B) *Fill-up at the rate of an average of 2 residents per month until ACH fills*
  - C) *N/A*
  - D) *ACH considered full at 93% in Second Month of the Second Year (November 2020)”*

The table on page 122 of Exhibit L indicates that the applicants project a census increase of two patients per quarter beginning in CY 2019. The applicants project to have 72% occupancy at the end of CY 2019, Project Year 1 (PY) and 93% occupancy by the end of PY 2 (see page 123 of Exhibit L). In supplemental information dated March 24, 2017, the applicants state their projected utilization is based on a 30% increase in the 85+ population of Northampton County. Projected utilization is based on reasonable and adequately support assumptions.

**Access**

In Section III.1, page 13, the applicants describe the need to replace and relocate the 33-beds from The Oaks at Pleasant Hill to Rich Square Villa. In Section VI, page 23, the applicant states:

*“[A]ll persons will be admitted to the facility without regard to their race, color, creed, age, national origin, handicap, sex, or source of payment.”*

In supplemental information dated February 10, 2017, the applicants provide its historical payor mix for CY2015, as illustrated below:

**Rich Square Villa payor Mix CY 2015**

<b>Historical Payor Source</b>	<b># of Patient Days</b>	<b>Percent of Total Patients</b>
<b>ACH</b>		
Medicaid	8,967	38.3%
Private Pay	1,190	5.1%
Semi-private	2,313	9.9%
<b>SCH</b>		
Medicaid (Private)		
Medicaid (Semi-Priv)	9,119	38.9%
Private Pay	244	1.0%
Semi-private	1,584	6.8%
<b>Total</b>	<b>23,417</b>	<b>100.00%</b>

Although, the applicants included a payor category in its historical payor mix table for a special care unit (SCU), Rich Square Villa is not licensed to operate a SCU. In additional supplemental information the applicants reported that including a payor category for a SCU was submitted in error. As illustrated above, historically 38.3% of Rich Square Villa ACH payor mix has come from Medicaid.

On page 23, the applicants project that 39.5% of all ACH resident days are projected to be paid for by Medicaid Special Assistance. The applicant adequately demonstrates the extent to which all residents of the service area, including underserved groups, are likely to have access to its services.

**Conclusion**

In summary, the applicants adequately identify the population to be served, adequately demonstrates the need that population has for the proposed relocated ACH beds and the extent to which all residents of the area, including 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 purpose to replace and relocate 33 licensed ACH beds from The Oaks at Pleasant Hill located at 4427 US Highway 301 in Pleasant Hill to Rich Square Villa located

at 310 North Main Street in Rich Square. Both sites are located in Northampton County. According to Google Maps, Rich Square Villa is located 28.8 miles from The Oaks at Pleasant Hill. Additionally, information obtained from the LRA license renewal application for The Oaks at Pleasant Hill indicate that no clients have resided at the facility since 2013, due “*non-compliance with some physical regulations*”.

In Section III.1, page 13, in reference to The Oaks at Pleasant Hill, the applicants state:

*“The ... 33 adult care home beds from a now closed facility which lacked modern systems and design elements and had reached the end of its useful life.”*

The 33 ACH beds at The Oaks at Pleasant Hill are not currently serving residents, therefore no residents will be impacted by the relocation of those 33 ACH beds. The proposed relocation of the 33 ACH beds will not change the inventory of ACH beds in Northampton County because the beds are being relocated within the same host county.

The applicants demonstrate that that the needs of the population presently served will be adequately met and that the proposal will not adversely affect the ability of underserved groups to obtain needed health care. Therefore, the application is conforming to this criterion.

- (4) Where alternative methods of meeting the needs for the proposed project exist, the applicant shall demonstrate that the least costly or most effective alternative has been proposed.

## C

In supplemental information dated February 10, 2017, the applicants discuss the alternatives considered prior to submitting this application, which include:

- Renovate the current facility – the applicants state, as part of the service agreement made with the Adult Care Licensure Section, DHSR, the facility would need to be renovated in order to serve future clients. The applicants state cost of renovations to the existing facility were cost prohibitive. Therefore, this is not an effective alternative.
- Tear down and redevelop the Oaks at Pleasant Hill on the same site – the applicants state that tearing down the facility and rebuilding it on the same site would also be cost prohibitive due to needing to demolish the existing facility before erecting a new facility. Therefore, this is not an effective alternative.

After considering the above alternatives, the applicants concluded that relocating the 66 ACH beds at The Oaks of Pleasant Hills by dividing those ACH beds between two identified facilities (See Project I.D. # L-11280-16) was its least costly alternative or more effective alternative.



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

1. **RS Health Investors, LLC and RV Assisted Living, LLC shall materially comply with all representations made in the certificate of need application and with all representation made in supplemental information received on February 11, 2017 March 24, 2017 and April 3, 2017. In those instances where representations conflict, RS Health Investors, LLC and RV Assisted Living, LLC, LLC shall materially comply with the last made representation.**
  2. **RS Health Investors, LLC and RV Assisted Living, LLC shall relocate no more than 33 ACH beds from The Oaks at Pleasant Hill to Rich Square Villa for a facility total of no more than 71 ACH beds upon project completion.**
  3. **For the first two years of operation following completion of the project, RS Health Investors, LLC and RV Assisted Living, 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. **RS Health Investors, LLC and RV Assisted Living, LLC shall provide care to recipients of State/County Special Assistance with Medicaid consistent with the representations made in the application.**
  5. **RS Health Investors, LLC and RV Assisted Living, 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

The applicants propose to replace and relocate 33 ACH beds from The Oaks at Pleasant Hill to Rich Square Villa in Northampton County for a total of 71 ACH beds upon project completion.

**Capital and Working Capital Costs**

In Section VIII.1, page 31, the applicants project the total capital costs for the proposed expansion of Rich Square Villa will be \$1,998,643.00, which includes:

Site Costs	\$79,750
Construction / Renovation Costs	\$1,383,893
Building Purchase	\$330,000
Equipment/Furniture	\$125,000
Architect and engineering Fees	\$35,000
Commercial Loan	\$10,000
Interest During Construction Costs	\$35,000
<b>Total</b>	<b>\$1,998,643</b>

In Section VIII.2, page 32, the applicants state that the capital costs of the project will be financed by a commercial loan. In Exhibit P, applicants state the start-up cost will be \$135,500 with the initial operating cost being \$69,650 for a total working capital of \$205,150.

### **Availability of Funds**

Exhibit N contains a copy of a November 11, 2016 letter from the Managing Director of Locust Point Capital, which states:

*“Locust Point Capital (“Locust”) hereby expresses its interest in providing construction and permanent financing for your proposed facility addition in Northampton County. Through our longstanding relationships with affiliated entities of RV Healthcare, LLC and RVHI, LLC, whereby we have previously funded all costs associated with several like projects, Locust is comfortable with and eager for the opportunity to fund 100% of the Rich Square Villa bed addition project.”*

Exhibit P contains a copy of a November 11, 2016 letter from the Managing Director of Locust Point Capital, which states:

*“Locust Point Capital (“Locust”) hereby expresses its interest in providing working capital financing for your proposed addition to your facility in Northampton County. ... Locust is comfortable with and is eager for the opportunity to fund 100% of the Rich Square Villa bed addition project.*

...

***Borrower:*** RV Assisted Living, LLC

***Purpose:*** To provide working capital financing inclusive of initial operating costs as well as start-up expense for the 33 bed addition to an existing Adult Care Facility in Rich Square, Northampton County, NC.

***Amount:*** \$205,150.

...”

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

**Financial Feasibility**

The applicants provided pro forma financial statements for the first three full fiscal years of operation following completion of the project. In the pro forma financial statement (Forms B and C), the applicants project that revenues will exceed operating expenses in the first three operating years of the project, as shown in the table below.

<b>TOTAL LICENSED ACH BEDS</b>	<b>1<sup>st</sup> Full Fiscal Year</b>	<b>2<sup>nd</sup> Full Fiscal Year</b>	<b>3<sup>rd</sup> Full Fiscal Year</b>
Total Resident Days	18,664	24,028	24,090
Total Net Revenue	\$1,606,878	\$2,243,322	\$2,250,473
Projected Average Charge (Gross Patient Revenue / Projected # of Patient Days)	\$86.09	\$93.36	\$93.42
Total Operating Expenses (Costs)	\$1,582,969	\$1,973,133	\$1,974,893
Net Income	\$23,908	\$270,189	\$275,580

The assumptions used by the applicants in preparation of the pro forma financial statements are reasonable, including projected utilization, costs and charges. See Exhibit L for the assumptions used regarding costs and charges. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference. The applicants adequately demonstrates sufficient funds for the operating needs of the proposal and that the financial feasibility of the proposal is based upon reasonable projections of costs and charges.

**Conclusion**

In summary, the applicants adequately demonstrate the availability of sufficient funds for the capital and working capital needs of the project and that the financial feasibility of the proposal is based upon reasonable projections of operating costs and charges. 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 33 ACH beds from The Oaks at Pleasant Hill to Rich Square Villa for a total of 71 ACH beds at Rich Square Villa upon project completion. Rich Square Villa is currently licensed for 38 ACH beds, none of those bed are located in a SCU. The Oaks at Pleasant Hill is a closed 66-bed licensed facility and is listed in the inventory of ACH beds in Chapter 11, Table 11A, of the 2016 State Medical Facilities Plan (SMFP). Both facilities are located in Northampton County. A concurrent application (Project I.D. # L-11280-16) was filed to relocate the remaining 33 ACH beds from The Oaks at Pleasant Hill to another ACH facility in Northampton County. In lieu of a purchase

agreement, in supplemental information dated April 3, 2017, the applicants provided a copy of the deed of trust transferring ownership of The Oaks at Pleasant Hill.

On page 223, the 2016 SMFP defines the service area for adult care home beds as the adult care home bed planning area in which the bed is located. Ninety-eight counties in the state are separate adult care home planning areas. Two counties, Hyde and Tyrrell, are considered a combined service area. Thus, the service area for this facility consists of Northampton County. Facilities may also serve residents of counties not included in their service area.

According to the 2016 SMFP, there are currently a total of five existing facilities in Northampton County that offer ACH services. The 2016 SMFP projects a surplus of 129ACH beds in Northampton County by 2019. The table below is based on Table 11A, page 241, and Table 11B, page 251, in the 2016 SMFP.

<b>2016 SMFP ACH Inventory &amp; 2019 Need Projections Wake County</b>	
# ACH Facilities	5
# Beds in ACH Facilities	242
# Beds in Nursing Homes	0
Total Licensed Beds	242
# CON Approved	0
Total # Available	242
Total # in Planning Inventory	242
Projected Bed Surplus	129
Source: 2016 SMFP	

In supplemental information received on March 24, 2017, the applicants provide letters of support from Northampton County Department of Social Services, attesting to the need for the licensed, but nonoperational 66 ACH beds at The Oaks of Pleasant Hill. Although, the 2016 SMFP projects a surplus of beds in Northampton County by 2019, the four operational facilities in the county operated with over a 90.0% occupancy based on the information provided in the 2016 LRA, as shown below.

Facility	Total # of Licensed Beds	# of ACH Beds	# of SCU Beds	Total # of Residents	Occupancy
Hampton Manor	82	42	40	79	96.34%
Pine Forest Rest Home	24	24	0	23	95.83%
Rich Square Manor	32	0	32	32	100.0%
Rich Square Villa	38	38	0	35	92.11%
Total	176	104	72	169	96.02%

Source: 2016 License Renewal applications

Without the inclusion of the 66 licensed ACH from The Oaks of Pleasant Hill, but nonoperational beds, the ACH facilities in Northampton County operated with a 92.02% occupancy rate for fiscal year (FY) 2015.

The applicants do not propose to develop new ACH beds, but rather to replace and relocate beds from an existing closed and outdated facility to a new addition of an existing facility at Rich Square Villa.

There will be no increase in the inventory of ACH beds in Northampton County. The discussions regarding need and cost effectiveness found in Criterion (3) and Criterion (4), respectively, are incorporated herein by reference. The applicants adequately demonstrate that the proposed project would not result in the unnecessary duplication of existing or approved ACH beds in Northampton County. Therefore, the application is conforming to this criterion.

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

C

In supplemental information dated February 10, 2017 and in Section 7, page 30, the applicants provide the current and projected staffing for Rich Square Villa, illustrated as follows:

Position	Current Number of FTEs			Projected Number of FTEs		
	ACH	SCU	Total	ACH	SCU	Total
<b>Routine Services</b>						
Supervisor (1/2 Direct Care)	3.00	3.00	6.00	3.00		6.00
Personal Care Aide (PCA)	3.00	6.00	9.00	8.00		8.00
Med Tech (Direct Care)	3.00	3.00	6.00	3.00		3.00
Care Coordinator	1.00	1.00	2.00	1.00		1.00
<b>Dietary</b>						
Food Service Supervisor	0.54	0.46	1.00	1.00		1.00
Cooks	1.09	0.91	2.00	2.50		2.50
<b>Activities</b>						
Activity Director	0.54	0.46	1.00	1.00		1.00
Activity Aide						
<b>Patient Transportation</b>						
Driver				1.00		1.00
<b>Housekeeping/Laundry</b>						
Housekeeping Supervisor	0.54	0.46	1.00	1.00		1.00
Laundry Supervisor	0.54	0.46	1.00	1.00		1.00
Housekeeping Aides	0.54	0.46	1.00	1.00		1.00
<b>Operations/Maintenance</b>						
Maintenance Supervisor				1.00		1.00
<b>Admin. &amp; General</b>						
Administrator	0.54	0.46	1.00	1.00		1.00
Business Office Manager	0.54	0.46	1.00	1.00		1.00
<b>Total</b>	<b>14.87</b>	<b>17.13</b>	<b>32.00</b>	<b>26.50</b>		<b>26.50</b>

As illustrated above, the applicants provide staffing for a SCU. According to data on its LRA, Rich Square Villa is not licensed to operate a SCU. In supplemental information dated February 10, 2017, the applicants report that providing information for a SCU was done in error. The applicants project to add 11.63 new FTE positions to Rich Square Villa following completion of the proposed expansion. The applicants project that most of the new FTE positions will be for five PCAs and the addition of a driver and a maintenance supervisor.

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.1, pages 8-10, the applicants provide a list of the services to be provided including beauty and barber services, emergency medical services, therapy services, respite care, family support groups, and specialized physician services. Further on page 9, the applicants state that the following ancillary and support services will be contracted by Rich Square Villa: pharmacy and food service management. See Exhibit X for service agreements with Sysco (dietary menus) and Stanley Lab, Inc (pharmaceutical services). The applicants adequately demonstrate that it will provide 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.

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In supplemental information dated February 10, 2017, the applicants report that Rich Square Villa consists of 11,410 square feet. The applicants propose to add 14,961 square feet of new construction to the existing Rich Square Villa facility for a total of 26,371 square feet upon project completion. Rich Square Villa is currently licensed as a 38 bed ACH facility, none of those beds are located in a SCU. Nor does the applicants propose to add a SCU in this application. The applicants propose to relocate 33 ACH beds from The Oaks at Pleasant Hill for a total of 71 licensed beds at Rich Square Villa.

Exhibit W contains a letter from an architect stating that the total costs for the 33 bed ACH expansion is estimated to be \$92.50 per square feet for a total of \$1,383,893 in construction costs ( $\$92.50 \times 14,961 = \$1,383,892.5$ ) which corresponds with line 9 in Table VIII.I, page 31 of the application.

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 regarding 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;

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In supplemental information the applicants provide the historical payor mix for Rich Square Villa for the last operating year prior to submission of the application. The applicants care provided in a SCU, as illustrated below.



**Rich Square Villa Payor Mix CY 2015**

Historical Payor Source	# of Patient Days	Percent of Total Patients
<b>ACH</b>		
Medicaid	8,967	38.3%
Private Pay	1,190	5.1%
Semi-private	2,313	9.9%
<b>SCH</b>		
Medicaid (Private)		
Medicaid (Semi-Priv)	9,119	38.9%
Private Pay	244	1.0%
Semi-private	1,584	6.8%
<b>Total</b>	<b>23,417</b>	<b>100.00%</b>

Although, the applicants included a payor category in its historical payor mix table for a special care unit (SCU), Rich Square Villa is not licensed to operate a SCU. In additional supplemental information dated February 10, 2017, the applicants report that including a payor category for a SCU was submitted in error.

The United States Census Bureau provides demographic data for North Carolina and all counties in North Carolina. The following table contains relevant demographic statistics for the applicant's service area.

Percent of Population						
County	% 65+	% Female	% Racial & Ethnic Minority*	% Persons in Poverty**	% < Age 65 with a Disability	% < Age 65 without Health Insurance**
Northampton	23%	52%	62%	26%	18%	16%
Statewide	15%	51%	36%	17%	10%	15%

Source: [http://www.census.gov/quickfacts/table\\_2014EstimateasofDecember22\\_2015](http://www.census.gov/quickfacts/table_2014EstimateasofDecember22_2015).

\*Excludes "White alone" who are "not Hispanic or Latino"

\*\*"This geographic level of poverty and health estimates are not comparable to other geographic levels of these estimates. Some estimates presented here come from sample data, and thus have sampling errors that may render some apparent differences between geographies statistically indistinguishable... The vintage year (e.g., V2015) refers to the final year of the series (2010 thru 2015). Different vintage years of estimates are not comparable."

However, a direct comparison to the applicant's current payor mix would be of little value. The population data by age, race or gender does not include information on the number of elderly, minorities, women or handicapped persons utilizing health services.

The applicants demonstrate that it currently provides adequate access to medically underserved populations. Therefore, the application is conforming to this criterion.

- (b) Its past performance in meeting its obligation, if any, under any applicable regulations requiring provision of uncompensated care, community service, or access by

minorities and handicapped persons to programs receiving federal assistance, including the existence of any civil rights access complaints against the applicant;

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In Section VI.4(a) and (b), page 24, the applicants state:

*“The applicant is not aware of any outstanding civil rights access complaints at Rich Square Villa”*

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.2, page 23, the applicants provide the projected payor mix for ACH services at Rich Square Villa for FFY 2020 (the second full federal fiscal year of operation). In supplemental information, the applicants state that the projected payor mix is based on the historical payor mix for Rich Square Villa. The project analyst calculated the percentage for each payor mix, as shown in the following table:

<b>Payment Source</b>	<b># of Patient Days</b>	<b>Percent of Total Patients</b>
<b>ACH</b>		
Medicaid	9,490	39.5%
Private Pay	11,253	46.8%
Semi-private	3,285	13.7%
<b>Total</b>	<b>24,028</b>	<b>100.00%</b>

As shown above, 51.0% of all ACH resident days are projected to be paid for by Medicaid Special Assistance.

The applicants demonstrate that medically underserved populations will have adequate access to the adult care home services provided by Rich Square Villa. Therefore, the application is conforming to this criterion.

The applicants demonstrate that medically underserved populations will have adequate access to the adult care home services provided by Rich Square Villa. 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.

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In Section V.4, page 21, the applicants state that access to the ACH services offered at Rich Square Villa will occur by a range of means to include: local hospitals, Northampton County Department of Social Services, local churches, and community care organizations.

The applicants adequately demonstrate it 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.

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In Section V.1, page 20, the applicants state Halifax Community College was contacted concerning using the facility as a clinical training site. Exhibit J contains a copy of a letter to Halifax Community College.

The applicants adequately demonstrate that the facility would accommodate the clinical needs of area health professional training programs. Therefore, the application is conforming to this criterion.

- (15) Repealed effective July 1, 1987.
- (16) Repealed effective July 1, 1987.
- (17) Repealed effective July 1, 1987.
- (18) Repealed effective July 1, 1987.
- (18a) The applicant shall demonstrate the expected effects of the proposed services on competition in the proposed service area, including how any enhanced competition will have a positive impact upon the cost effectiveness, quality, and access to the services proposed; and in the case of applications for services where competition between providers will not have a favorable impact on cost-effectiveness, quality, and access to the services proposed, the applicant shall demonstrate that its application is for a service on which competition will not have a favorable impact.

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The applicants propose to replace and relocate 33 ACH beds from The Oaks at Pleasant Hill to Rich Square Villa for a total of 71 ACH beds at Rich Square Villa upon project

completion. Rich Square Villa is currently licensed for 38 ACH beds, none of those bed are located in a SCU. The Oaks at Pleasant Hill is a closed 66-bed licensed facility and is listed in the inventory of ACH beds in Chapter 11, Table 11A, of the 2016 State Medical Facilities Plan (SMFP). Both facilities are located in Northampton County. A concurrent application (Project I.D. # L-11280-16) was filed to relocate the remaining 33 ACH beds from The Oaks at Pleasant Hill to another ACH facility in Northampton County.

On page 223, the 2016 SMFP defines the service area for adult care home beds as the adult care home bed planning area in which the bed is located. Ninety-eight counties in the state are separate adult care home planning areas. Two counties, Hyde and Tyrrell, are considered a combined service area. Thus, the service area for this facility consists of Northampton County. Facilities may also serve residents of counties not included in their service area.

The Oaks at Pleasant Hill, located at 4427 US Highway 301 in Pleasant Hill is located 28.8 miles from Rich Square Villa which is located at 310 North Main Street in Rich Square. The distance was obtained from Google Maps<sup>1</sup>.

According to the 2016 SMFP, there are currently a total of five existing facilities in Northampton County that offer ACH services. The table below is a summary of the five facilities in Northampton County. The table is recreated from the 2016 SMFP, Chapter 11, Table 11A, pages 241and Table 11B, page 251. The 2016 SMFP projects a surplus of 129 ACH beds in Northampton County by 2019.

<b>2016 SMFP ACH Inventory &amp; 2019 Need Projections Northampton County</b>	
# ACH Facilities	5
# Beds in ACH Facilities	242
# Beds in Nursing Homes	0
Total Licensed Beds	242
# CON Approved	0
Total # Available	242
Total # in Planning Inventory	242
Projected Bed Surplus	129
Source: 2016 SMFP	

Although, the 2016 SMFP projects a surplus of beds in Northampton County by 2019, the four operational facilities in the county operated with over a 90.0% occupancy based on the information provided in the 2016 LRA, as shown below.

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<sup>1</sup> Google Maps <https://maps.google.com>

Facility	Total # of Licensed Beds	# of ACH Beds	# of SCU Beds	Total # of Residents	Occupancy
Hampton Manor	82	42	40	79	96.34%
Pine Forest Rest Home	24	24	0	23	95.83%
Rich Square Manor	32	0	32	32	100.0%
Rich Square Villa	38	38	0	35	92.11%
Total	176	104	72	169	96.02%

Source: 2016 License Renewal applications

Without the inclusion of the 66 licensed ACH from The Oaks of Pleasant Hill, but nonoperational beds, the ACH facilities in Northampton County operated with a 96.02% occupancy rate for fiscal year (FY) 2015.

The applicants do not propose to develop new ACH beds, but rather to relocate 33 existing ACH beds from a closed facility, The Oaks at Pleasant Hill. There will be no increase in the inventory of ACH beds or the number of facilities in Northampton County.

In Section VI.5, page 24, the applicants discuss how the project will promote cost-effectiveness, quality and access to the proposed services. See also Sections II, III, V, VI and VII where the applicants discuss the impact of the project on cost-effectiveness, quality and access to the proposed services

The information in the application is reasonable and adequately demonstrates that any enhanced competition in the service area includes a positive impact on cost-effectiveness, quality and access to the proposed services. However, the applicants did not adequately demonstrate that the proposed project would be cost-effective. This determination is based on the information in the application and the following analysis:

- The applicants adequately demonstrate the need for its proposal and that it is a cost-effective alternative. The discussions regarding analysis of need, projected utilization and alternatives found in Criteria (3) and (4), respectively, are incorporated herein by reference.
- The applicants adequately demonstrate that it will continue to provide quality services. The discussion regarding quality found in Criterion (20) is incorporated herein by reference.
- The applicants adequately demonstrate that it will continue to provide adequate access to medically underserved populations. The discussion regarding access found in Criteria (3), (3a) and (13) are 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.

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In Section I.12(a), page 7, the applicants states the facility will be managed by Affinity Living Group. In supplemental information provided February 10, 2017, the applicants identify facilities in North Carolina which are operated and managed by Affinity Living Group, LLC. A total of 77 affiliated facilities were identified either by the applicants or by information obtained from the Adult Care Licensure Section, DHSR. According to the files in the Adult Care Licensure Section, 19 incidents occurred at 17 of the affiliated facilities within the 18 months immediately preceding the submission of the application through the date of this decision related to quality of care. As of the date of this decision, the problems had been corrected. After reviewing and considering information provided by the applicant and by the Adult Care Licensure Section and considering the quality of care provided at all affiliated facilities, the applicants provide sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

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

NA

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