

## ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: December 20, 2017

Findings Date: December 20, 2017

Project Analyst: Gloria Hale

Assistant Chief: Lisa Pittman

Project ID #: F-11389-17

Facility: Arbor Ridge at Huntersville

FID #: 170366

County: Mecklenburg

Applicant: Arbor Ridge at Huntersville, LLC

Project: Acquire and relocate the 40 beds authorized by Project I.D. #F-8522-10 (add 40 for a total of 80 SCU beds) to a new location instead of adding them to the existing Preston House

### REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

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

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

C

The applicant, Arbor Ridge at Huntersville, LLC, proposes to relocate the 40 adult care home (ACH) beds authorized by Project I.D. #F-8522-10 (add 40 for a total of 80 special care unit beds) to a new location instead of adding them to Preston House, an existing ACH facility. The 40 beds at Arbor Ridge at Huntersville (Arbor Ridge) will be located in a wing of a newly constructed independent living facility located in Huntersville, Mecklenburg County. Sixteen beds will be ACH beds and 24 will be special care unit (SCU) beds for a total of 40 ACH beds upon completion of the project.

## **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 2017 State Medical Facilities Plan (SMFP). Therefore, there are no need determinations applicable to this review.

## **Policies**

There is one policy in the 2017 SMFP that is applicable to this review, *Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities*.

*Policy GEN-4*, page 33 of the 2017 SMFP, 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 is required to submit a plan of energy efficiency and water conservation that conforms to the rules, codes and standards implemented by the Construction Section of the Division of Health Service Regulation. The plan must be consistent with the applicant’s representation in the written statement as described in paragraph one of Policy GEN-4. The plan shall not adversely affect patient or resident health, safety or infection control.”*

The proposed capital expenditure is greater than \$2 million and less than \$5 million. In Section XI.9, page 53, the applicant states that the facility will be built using the newest materials and construction standards that will create energy efficiencies and will include low e-glass windows, modern insulation, and modern plumbing and water heating technologies to ensure that energy and water usage is conserved. The applicant provides a

copy of a letter in Exhibit 21, signed by a licensed architect, which states that energy efficient lighting, electrical, and mechanical systems and water-efficient plumbing fixtures will be utilized in the project.

The applicant adequately demonstrates the proposal includes a plan to assure improved energy efficiency and water conservation. In summary, the applicant adequately demonstrates that its proposal is consistent with *Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities*.

### **Conclusion**

The information in the application, including any exhibits, is reasonable and adequately supported because the applicant adequately describes how the project will be energy efficient and will conserve water.

This determination is based on a review of the:

- Information in the application, including any exhibits.
- Information which was publicly available during the review and used by the Agency.

Therefore, the applicant adequately demonstrates that 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 applicant, Arbor Ridge at Huntersville, LLC, proposes to acquire and relocate the 40 ACH beds authorized by Project I.D. #F-8522-10 (add 40 for a total of 80 SCU beds) to a new location, Arbor Ridge at Huntersville (Arbor Ridge) instead of adding them to the existing Preston House. The 40 beds at Arbor Ridge will be located in a wing of a newly constructed independent living facility located in Huntersville, Mecklenburg County. Sixteen beds will be ACH beds and 24 beds will be SCU beds for a total of 40 ACH beds upon completion of the project. Arbor Ridge will be located at 15797 Statesville Road in Huntersville, Mecklenburg County, which is approximately eight and a half miles from Preston House. Arbor Ridge will be managed by Ridge Care.

**Patient Origin**

On page 219, the 2017 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 Tyrell, are considered a combined service area.*” Thus, the service area for this project consists of Mecklenburg County. Facilities may also serve residents of counties not included in their service area.

The 40 ACH beds to be relocated have not been developed at Preston House, therefore there is no current patient origin. However, in Section III.7, page 29, the applicant provides the projected patient origin for Arbor Ridge as shown in the table below:

**Arbor Ridge  
Projected Patient Origin  
Operating Year 1 (4/1/19 – 3/31/20)**

<b>County</b>	<b>Projected % of Total ACH Admissions</b>
Mecklenburg	90%
Iredell	4%
Cabarrus	2%
Gaston	2%
Lincoln	1%
Union	1%
<b>Total</b>	<b>100%</b>

In supplemental information, the applicant states that the projected patient origin is expected to change from the patient origin projected in the original application (Project I.D. #F-8522-10) because the proposed facility will differ from the original facility proposed, in that ACH beds will be housed in a wing of an independent living facility and the facility will offer both ACH beds and SCU beds. Moreover, the applicant differs from the applicant of the original application and, thus, as stated in supplemental information, bases its projected patient origin on its experience developing new facilities.

The applicant adequately identifies the population to be served.

### **Analysis of Need**

In Section III.1, pages 19-26, and in supplemental information, the applicant describes the need to relocate the 40 undeveloped ACH beds from Preston House to Arbor Ridge and to have 24 of the beds licensed as SCU beds and 16 licensed as ACH beds, summarized as follows:

- The land upon which the current facility, Preston House, is located is not adequate for expansion to accommodate the 40 undeveloped ACH beds.
- The applicant calculates a deficit of 790 SCU beds in Mecklenburg County, therefore the proposal to develop 24 of the 40 ACH beds as SCU beds will address some of this need.
- The applicant states it has extensive experience in independent living services, ACH care and SCU care. As stated in supplemental information, *“The Applicant believes that combining these three services in one facility will provide prospective residents with the ability to age in place, which will enhance quality of life.”*

### **Projected Utilization**

The applicant does not provide historical utilization for the 40 ACH beds that it is proposing to relocate to Arbor Ridge because the beds are undeveloped. The applicant provides projected utilization for operating year two (OY2) for the proposed 40 ACH beds in Section IV.2, page 30, as follows:

**Arbor Ridge Projected Utilization  
 OY2, April 1, 2020 through March 31, 2021**

	1 <sup>st</sup> Quarter 4/01/20 – 6/30/20	2 <sup>nd</sup> Quarter 7/01/20 – 9/30/20	3 <sup>rd</sup> Quarter 10/01/20 – 12/31/20	4 <sup>th</sup> Quarter 1/01/21 – 3/31/21	Total
<b>ACH Beds (excluding SCU Beds)</b>					
# of Patient Days	1,278	1,278	1,278	1,278	5,110
Occupancy Rate	87.5%	87.5%	87.5%	87.5%	87.5%
# of Beds	16	16	16	16	16
<b>SCU Beds</b>					
# of Patient Days	2,008	2,008	2,008	2,008	8,030
Occupancy Rate	91.67%	91.67%	91.67%	91.67%	91.67%
# of Beds	24	24	24	24	24
<b>Total Beds</b>					
# of Patient Days	3,285	3,285	3,285	3,285	13,140
Occupancy Rate	90.0%	90.0%	90.0%	90.0%	90.0%
# of Beds	40	40	40	40	40

As shown above, for the second operating year following completion of the proposed project, the applicant projects that the 16 ACH beds and 24 SCU beds will operate at 90.0% of capacity ( $13,140/365/40 = 0.90$  or 90%) during each quarter.

The applicant provides its assumptions and methodology in Section IV.3, page 31, stating that through marketing efforts and based on Ridge Care’s management experience, it expects to have a wait list before the facility opens and expects to have 10 patients admitted on day one. Thereafter, the applicant assumes that four patients will be admitted each month, two ACH and two SCU, for the first five months, and then decrease to two new patients per month in the SCU for three months until occupancy reaches 90%. The applicant’s projected utilization is based on reasonable and adequately supported assumptions.

**Access**

The applicant states, in Section VI.3, page 33, that admissions to Arbor Ridge will occur only on the written order of a physician and that:

*“...as long as beds are available in appropriate rooms: all persons will be admitted to the facility without regard to their race, color, creed, age, national origin, handicap, sex, or source of payment;...”*

In addition, the applicant states, on page 33, that all routine and specialized services will be made available to all persons without regard to the afore-mentioned categories. In supplemental information, the applicant states that 13.9% of Arbor Ridge’s patient days

for the entire facility for the second operating year will be paid by Special Assistance – Basic Medicaid. The applicant states, in supplemental information, that its percentage of patient days for Special Assistance - Basic Medicaid is based on a review of 2017 License Renewal Applications (LRAs) for ACH facilities in Mecklenburg County and its management company's experience in other counties. Therefore, the applicant adequately demonstrates the extent to which all residents of the area, including underserved groups, are likely to have access to the services.

### **Conclusion**

The information in the application is reasonable and adequately supported for the following reasons:

- The population to be served would primarily be from Mecklenburg County (90%) with the remainder coming from adjacent counties. The applicant bases its assumptions on its experience.
- Projected utilization is based on the applicant's management team's experience and the county need for SCU beds.
- The applicant projects that over 13% of ACH patient days will be reimbursed by Special Assistance – Basic Medicaid at the end of OY2 based on a review of ACH facilities' LRAs in Mecklenburg County and its management team's experience in other counties.

This determination is based on a review of the:

- Information in the application, including any applicable exhibits.
- Information which was publicly available during the review and used by the Agency.

Therefore, the applicant adequately demonstrates that the application is conforming to this criterion.

- (3a) In the case of a reduction or elimination of a service, including the relocation of a facility or a service, the applicant shall demonstrate that the needs of the population presently served will be met adequately by the proposed relocation or by alternative arrangements, and the effect of the reduction, elimination or relocation of the service on the ability of low income persons, racial and ethnic minorities, women, handicapped persons, and other underserved groups and the elderly to obtain needed health care.

NA

The applicant, Arbor Ridge at Huntersville, LLC, proposes to relocate the 40 ACH beds authorized by Project I.D. #F-8522-10 (add 40 for a total of 80 SCU beds) to a new location instead of adding them to the existing Preston House. The 40 ACH beds

authorized by Project I.D. #F-8522-10 are undeveloped, therefore there are no patients presently served in the 40 ACH beds.

- (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.3, pages 26-27, the applicant describes two alternatives considered, as discussed below.

- 1) Maintain the Status Quo – the applicant states that after careful consideration, it determined that the land Preston House is situated on is not adequate for expanding the facility to accommodate the additional 40 ACH beds that were approved through Project I.D. #F-8522-10. Therefore, this was not the most effective alternative.
- 2) Build a Freestanding 40-bed ACH Facility – the applicant states that it considered this alternative, however it believes that by providing an independent living facility with ACH beds, an aging in place option will be available and that it would allow for economies of scale and a more solid fiscal foundation. Therefore, this alternative was not the most effective alternative.

The applicant states, on page 27, that the proposed project will be in close proximity to the current location and the site will be large enough to support the independent living facility and the 40 relocated ACH beds.

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

The information in the application, including any exhibits, is reasonable and adequately supported because the alternative methods provided by the applicant for meeting the needs of the proposed project would either not accommodate the 40 ACH beds due to existing site constraints or would not be financially feasible as a freestanding ACH facility without independent living units on the same site.



This determination is based on a review of the:

- Information in the application, including any applicable exhibits.
- Information which was publicly available during the review and used by the Agency.

Therefore, the applicant adequately demonstrates that the application is conforming to this criterion and is approved subject to the following conditions.

- 1. Arbor Ridge at Huntersville, LLC shall materially comply with all representations made in the certificate of need application and any supplemental responses. In the event that representations conflict, Arbor Ridge at Huntersville, LLC shall materially comply with the last made representation.**
- 2. Arbor Ridge at Huntersville, LLC shall acquire and relocate 40 adult care home beds from Preston House to Arbor Ridge at Huntersville.**
- 3. Upon completion of the project, Arbor Ridge at Huntersville shall be licensed for no more than 40 adult care home beds.**
- 4. Arbor Ridge at Huntersville, LLC shall not acquire as part of this project any equipment that is not included in the project's proposed capital expenditures in Section VIII of the application and that would otherwise require a certificate of need.**
- 5. Arbor Ridge at Huntersville, LLC shall provide care to recipients of State/County Special Assistance with Medicaid, commensurate with representations made in the application.**
- 6. For the first two years of operation following completion of the project, Arbor Ridge at Huntersville, 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 Healthcare Planning and Certificate of Need Section that the proposed increase is in material compliance with the representations in the certificate of need application.**
- 7. No later than three months after the last day of each of the first three full years of operation following initiation of the services authorized by this certificate of need, Arbor Ridge at Huntersville, LLC shall submit, on the form provided by the Healthcare Planning and Certificate of Need Section, an annual report containing the:**

- a. **Payor mix for the services authorized in this certificate of need.**
  - b. **Utilization of the services authorized in this certificate of need.**
  - c. **Revenues and operating costs for the services authorized in this certificate of need.**
  - d. **Average gross revenue per unit of service.**
  - e. **Average net revenue per unit of service.**
  - f. **Average operating cost per unit of service.**
8. **Arbor Ridge at Huntersville, 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 applicant, Arbor Ridge at Huntersville, LLC, proposes to acquire and relocate the 40 ACH beds authorized by Project I.D. #F-8522-10 (add 40 for a total of 80 SCU beds) to a new location instead of adding them to the existing Preston House. Twenty-four of the ACH beds will be SCU beds and 16 will be ACH beds upon completion of the project. The applicant states, in Section II.1, page 9, that the 40 ACH beds will be located in a wing of a proposed independent living facility.

**Capital and Working Capital Costs**

In Section VIII.1, page 40, the applicant projects the total capital cost of the proposed project will be \$4,180,131, including:

**Projected Capital Costs for Arbor Ridge**

<b>Costs</b>	<b>Total Costs</b>
Site Costs, including land purchase*	\$ 330,290
Construction Contract	\$ 3,389,680
Equipment and Furniture	\$ 115,648
Architect & Engineering Fees	\$ 77,000
Legal Fees	\$ 2,570
Financing Costs	\$ 14,135
Interest during Construction	\$ 250,808
<b>Total Capital Costs</b>	<b>\$ 4,180,131</b>

\*The applicant states, on page 40, that the land cost for the project represents approximately 26% of the property to be purchased.

The applicant states, in Section IX.1, page 44, that it will have \$72,500 in start-up expenses. In Section IX.2, page 44, that applicant states it will have \$102,930.76 in operating expenses. Therefore the total working capital for the proposed project will be \$175,430.76.

### **Availability of Funds**

In Section VIII.2, page 41, and Exhibit 12, the applicant documents that it intends to fund the project through a commercial loan.

In Exhibit 12, the applicant provides a letter dated August 8, 2017 from the Senior Vice President of Branch Banking & Trust Co. (BB&T) stating that the bank will consider lending up to \$13,222,700 for the proposed project. In addition, the applicant provides a letter, also in Exhibit 12, dated July 31, 2017, from an employee of the Healthcare Group of KeyBank Real Estate Capital, stating that Ridge Care has an available balance of \$5,250,000 from a term loan that it may draw funds from to pay for the capital costs of the proposed project. The applicant does not provide financial statements.

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

### **Financial Feasibility**

In supplemental information in the pro forma financial statements for Arbor Ridge, Form B, the applicant projects that revenues will exceed operating expenses in OY1 and OY2, as shown in the table below:

**Arbor Ridge**

<b>ACH Beds (excluding SCU beds)</b>	<b>OY1 (4/1/19 – 3/31/20)</b>	<b>OY2 (4/1/20 – 3/31/21)</b>
Projected # of patient days	4,198	5,110
Projected Average Charge* (Gross Patient Revenue/ Projected # of Patient Days)	\$181	\$190
Gross Patient Revenue	\$759,000	\$970,200
Deductions from Gross Patient Revenue	\$0	\$0
Other Revenue	\$0	\$0
Total Net Revenue	\$759,000	\$970,200
Total Expenses	\$602,536	\$726,237
Net Income	\$156,464	\$243,963
<b>SCU Beds</b>		
Projected # of patient days	5,840	8,030
Projected Average Charge* (Gross Patient Revenue/ Projected # of Patient Days)	\$172	\$178
Gross Patient Revenue	\$1,004,800	\$1,425,780
Deductions from Gross Patient Revenue	\$0	\$0
Other Revenue	\$0	\$0
Total Net Revenue	\$1,004,800	\$1,425,780
Total Expenses	\$694,264	\$841,247
Net Income	\$310,536	\$584,533
<b>Total Facility</b>		
Projected # of patient days	10,038	13,140
Projected Average Charge* (Gross Patient Revenue/ Projected # of Patient Days)	\$176	\$182
Gross Patient Revenue	\$1,763,800	\$2,395,980
Deductions from Gross Patient Revenue	\$0	\$0
Other Revenue	\$0	\$0
Total Net Revenue	\$1,763,800	\$2,395,980
Total Expenses	\$1,296,800	\$1,567,484
Net Income	\$467,000	\$828,496

\*Projected average charge is rounded to the nearest whole number.

The assumptions used by the applicant in preparation of the pro forma financial statements are reasonable, including projected utilization, costs and charges. See Section XIII, pages 55-64, and supplemental information for the applicant's pro formas and assumptions regarding costs and charges. The discussion regarding projected utilization

found in Criterion (3) is incorporated herein by reference. The applicant 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**

The information in the application, including any exhibits, is reasonable and adequately supported for the following reasons:

- The applicant uses reasonable and adequately supported assumptions to project utilization.
- The applicant has provided adequate documentation of financial resources for the capital needs of the project.

This determination is based on a review of the:

- Information in the application, including any applicable exhibits.
- Information which was publicly available during the review and used by the Agency.

Therefore, the applicant adequately demonstrates that 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 applicant, Arbor Ridge at Huntersville, LLC, proposes to acquire and relocate the 40 ACH beds authorized by Project I.D. #F-8522-10 (add 40 for a total of 80 SCU beds) to a new location, Arbor Ridge, instead of adding them to the existing Preston House. Twenty-four of the ACH beds will be SCU beds and 16 will be ACH beds upon completion of the project.

On page 219, the 2017 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 Tyrell, are considered a combined service area*”. Thus, the service area for this project consists of Mecklenburg County. Facilities may also serve residents of counties not included in their service area.

According to Table 11A of the 2017 SMFP, pages 235-236, there are 52 ACH facilities in Mecklenburg County, however only 48 are operational. Ten of the 48 operational

facilities are nursing facilities (NFs) with ACH beds and the remaining 38 are freestanding ACH facilities for a total of 3,081 ACH beds. The table below provides a summary of the facilities with ACH beds in Mecklenburg County, utilizing information from Table 11A, pages 235-236, and Table 11B, page 248, of the 2017 SMFP.

<b>2017 SMFP ACH Inventory &amp; 2020 Need Projections Mecklenburg County</b>	
# of Facilities with ACH Beds	52
# of ACH Beds in Freestanding ACH Facilities	2,846
# of ACH Beds in NFs	235
Total Licensed Beds	3,081
# CON Approved	273
Total # Available	3,354
Total # in Planning Inventory	3,305
Projected Bed Surplus	311
Source: 2017 SMFP	

As the table above shows, there is a surplus of 311 ACH beds in Mecklenburg County. However, the applicant is not proposing to develop new ACH beds, rather it is proposing to acquire and relocate 40 CON-approved, but undeveloped beds from Preston House to a newly constructed facility, Arbor Ridge. There will be no increase in the inventory of ACH beds in Mecklenburg County.

The applicant adequately demonstrates the need the population proposed to be served has for the 40 ACH beds to be acquired and relocated from Preston House, and adequately demonstrates that the projected utilization is based on reasonable and adequately supported assumptions. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

The information in the application, including any exhibits, is reasonable and adequately supported for the following reasons:

- The applicant uses established methodologies and uses assumptions which are reasonable to demonstrate the need for the proposed services.
- The applicant provides adequate documentation that the proposed services will not result in the unnecessary duplication of existing or approved health service capabilities or facilities.

This determination is based on a review of the:

- Information in the application, including any exhibits.
- Information which was publicly available during the review and used by the Agency.

Therefore, the applicant adequately demonstrates that the application is conforming to this criterion.

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

C

In Section VII.1, page 37, the applicant provides the projected number of full-time equivalent (FTE) positions for Arbor Ridge in OY2 of the project upon completion, summarized as follows:

**Arbor Ridge  
 Projected Staffing, OY2**

Staff Positions	Projected Number of FTEs, ACH Beds, excluding SCU Beds	Projected Number of FTEs, SCU Beds	Total Facility Projected Number of FTEs, OY2 (4/1/20 – 3/31/21)
<b>Routine Services</b>			
Supervisor	3.0	3.0	6.0
Nurse	0.5	0.5	1.0
Personal Care Aide	4.0	6.0	10.0
<b>Total Routine Services</b>	<b>7.5</b>	<b>9.5</b>	<b>17.0</b>
<b>Dietary</b>	<b>2.7</b>	<b>2.7</b>	<b>5.4</b>
<b>Activity Services</b>	<b>1.0</b>	<b>1.0</b>	<b>2.0</b>
<b>Housekeeping/Laundry</b>	<b>1.5</b>	<b>1.5</b>	<b>3.0</b>
<b>Operations and Maintenance</b>	<b>0.5</b>	<b>0.5</b>	<b>1.0</b>
<b>Administration/General</b>	<b>1.5</b>	<b>1.5</b>	<b>3.0</b>
<b>Total Positions</b>	<b>14.7</b>	<b>16.7</b>	<b>31.4</b>

As shown in the table above, the applicant projects that Arbor Ridge will have at total of 31.4 FTE positions. The applicant proposes a facility total of 17.0 FTE direct care positions, including Supervisor (6.0 FTEs), Nurse (1.0 FTE), and Personal Care Aide (10.0 FTEs). In addition, in Section II.1, page 11, the applicant states that it will contract with a local physician to serve as Medical Director and to provide care for patients in the event they do not have their own personal physician. Adequate costs for health manpower and management positions are budgeted in the applicants’ pro forma financial statements.

The information in the application, including any exhibits, is reasonable and adequately supported because the applicant provides adequate documentation of the availability of

appropriate health manpower and management personnel for the provision of the proposed ACH services.

This determination is based on a review of the:

- Information in the application, including any exhibits.
- Information which was publicly available during the review and used by the Agency.

Therefore, the applicant adequately demonstrates that 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 9-12, the applicant describes the ancillary and support services that will be provided by the facility or made available through agreements with other providers including dietary, physician, therapy and pharmaceutical services. In Exhibit 9, the applicant provides a copy of a letter to Novant Health Huntersville Medical Center seeking the facility's willingness to develop a transfer agreement with Arbor Ridge upon Agency approval of the proposed project. In addition, in Exhibit 10, the applicant provides several letters to area physicians seeking their support and input for the project.

The information in the application, including any exhibits, is reasonable and adequately supported for the following reasons:

- The applicant provides appropriate and credible documentation of the availability of necessary ancillary and support services for the provision of the proposed services.
- The applicant provides credible documentation of its intent to coordinate the proposed services with the existing health care system.

This determination is based on a review of the:

- Information in the application, including any exhibits.
- Information which was publicly available during the review and used by the Agency.

Therefore, the applicant adequately demonstrates that 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

The applicant does not project to provide the proposed services to a substantial number of persons residing in Health Service Areas (HSAs) that are not adjacent to the HSA in which the services will be offered. Furthermore, the applicant does not project to provide the proposed services to a substantial number of persons residing in other states that are not adjacent to the North Carolina county in which the services will be offered. Therefore, Criterion (9) is not applicable to this review.

- (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

The applicant is not an HMO. Therefore, Criterion (10) is not applicable to this review.

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

C

The applicant, Arbor Ridge at Huntersville, LLC, proposes to acquire and relocate the 40 ACH beds authorized by Project I.D. #F-8522-10 (add 40 for a total of 80 SCU beds) to a new location instead of adding them to the existing Preston House. Twenty-four of the ACH beds will be SCU beds and 16 will be ACH beds upon completion of the project.

In Section XI.4, page 52, the applicant states that Arbor Ridge will consist of 24,212 square feet. In Section VIII.1, page 40, the applicant states that the capital cost of the proposed project will be \$4,180,131.

Exhibit 21 contains a copy of a letter from a licensed architect that estimates that the total construction costs, including site development and architectural fees, will be \$3,389,680 which corresponds to the construction cost projections provided by the applicant in Section VIII.1, page 40. Line drawings of the ACH facility are provided in Exhibit 30. In Section XI.9, page 53, and in Exhibit 21 the applicant describes the methods that will be used by the facility to maintain energy efficient operations and conserve water. The discussion regarding costs and charges found in Criterion (5) is incorporated herein by reference.

The information in the application, including any exhibits, is reasonable and adequately supported because the applicant provides adequate and credible documentation of the costs for construction of the proposed facility.

This determination is based on a review of the:

- information in the application, including any exhibits, and
- information which was publicly available during the review and used by the Agency.

Therefore, the applicant adequately demonstrates that the application is conforming to this criterion.

- (13) The applicant shall demonstrate the contribution of the proposed service in meeting the health-related needs of the elderly and of members of medically underserved groups, such as medically indigent or low income persons, Medicaid and Medicare recipients, racial and ethnic minorities, women, and handicapped persons, which have traditionally experienced difficulties in obtaining equal access to the proposed services, particularly those needs identified in the State Health Plan as deserving of priority. For the purpose of determining the extent to which the proposed service will be accessible, the applicant shall show:
- (a) The extent to which medically underserved populations currently use the applicant's existing services in comparison to the percentage of the population in the applicant's service area which is medically underserved;

NA

The 40 ACH beds the applicant proposes to acquire and relocate are undeveloped per Project I.D. #F-8522-10 (add 40 for a total of 80 SCU beds), thus the applicant is not able to report any historical payor mix. Therefore, this criterion is not applicable.

- (b) Its past performance in meeting its obligation, if any, under any applicable regulations requiring provision of uncompensated care, community service, or access by minorities and handicapped persons to programs receiving federal assistance, including the existence of any civil rights access complaints against the applicant;

NA

The applicant will be the new owner of the 40 ACH beds proposed to be relocated in this project, therefore there is no information on the applicant's past performance in regard to meeting any obligations to provide uncompensated care, community service, or access by minorities and handicapped persons to programs receiving federal assistance, including any civil rights access complaints. Therefore, this criterion is not applicable.

- (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 supplemental info, the applicant provides the projected payor mix for Arbor Ridge for OY2, summarized as follows:

**Arbor Ridge Projected Payor Mix  
 OY2 (April 1, 2020 – March 31, 2021)**

Payor Category	ACH* Beds Percent of Patient Days	SCU Beds Percent of Patient Days	Total Facility Percent of Patient Days
Private Pay	100.0%	77.3%	86.1%
Special Assistance – Basic Medicaid	0.0%	22.7%	13.9%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

\*ACH beds do not include SCU beds.

As shown in the table above, the applicant projects that 0% of Arbor Ridge's ACH patient days and 22.7% of Arbor Ridge's SCU patient days will be covered

by Special Assistance-Basic Medicaid. For the facility as a whole, 13.9% of patient days will be paid by Special Assistance-Basic Medicaid. The applicant provides the assumptions for its payor mix for OY2 in supplemental information, stating that based on its experience families have a strong preference for private rooms and that maintaining occupancy of semi-private rooms is difficult due to the need to keep same gender patients in them. Moreover, the applicant states that it reviewed 2017 LRAs for similar ACH facilities in Mecklenburg County and found that the average percentage of patient days for ACH/non-SCU beds was 2.56%. For SCU beds, the applicant determined that patient days paid by Special Assistance-Basic Medicaid for Preston House was 14% and that similar ACH facilities in Mecklenburg County had an average of 29% Special Assistance-Basic Medicaid based on a review of 2017 LRAs.

The information in the application, including any exhibits, is reasonable and adequately supported because the applicant's projected payor mix adequately demonstrates that medically underserved populations will have adequate access to the proposed services.

This determination is based on a review of the:

- Information in the application, including any exhibits.
- Information which was publicly available during the review and used by the Agency.

Therefore, the applicant adequately demonstrates that 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 VII.3, page 33, the applicant states that residents will be admitted to the facility only upon the written order of a physician. In Section V.4, page 32, the applicant states that it anticipates, based on Ridge Care's experience in opening and managing new facilities, that it will forge relationships with local agencies and persons who are likely to refer residents to Arbor Ridge. In addition, the applicant states that it will contact the Adult Care Coordinator for Mecklenburg County and other local authorities in order to streamline the process of referring residents, particularly those who would be eligible for Medicaid and County Special Assistance. In addition, in Exhibit 10, the applicant provides copies of five letters to physicians in the area, informing them of the proposed facility and inviting their input on serving the future residents.

The information in the application, including any exhibits, is reasonable and adequately supported because the applicant adequately demonstrates that the facility will provide a range of means by which a person can access the services.

This determination is based on a review of the:

- Information in the application, including any exhibits.
- Information which was publicly available during the review and used by the Agency.

Therefore, the applicant adequately demonstrates that 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 8, the applicant provides a copy of a letter to Central Piedmont Community College inviting the college to include the proposed facility as a clinical training site for its nursing assistant students.

The information in the application, including any exhibits, is reasonable and adequately supported because the applicant adequately documents that the proposed health services will accommodate the clinical needs of health professional training programs in the area.

This determination is based on a review of the:

- Information in the application, including any exhibits.
- Information which was publicly available during the review and used by the Agency.

Therefore, the applicant adequately demonstrates that 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 applicant, Arbor Ridge at Huntersville, LLC, proposes to acquire and relocate the 40 ACH beds authorized by Project I.D. #F-8522-10 (add 40 for a total of 80 SCU beds) to a new location instead of adding them to the existing Preston House. Twenty-four of the ACH beds will be SCU beds and 16 will be ACH beds upon completion of the project.

On page 219, the 2017 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 Tyrell, are considered a combined service area*”. Thus, the service area for this project consists of Mecklenburg County. Facilities may also serve residents of counties not included in their service area.

According to Table 11A of the 2017 SMFP, pages 235-236, there are 52 ACH facilities in Mecklenburg County, however only 48 are operational. Ten of the 48 operational facilities are NFs with ACH beds and the remaining 38 are freestanding ACH facilities for a total of 3,081 ACH beds. The table below provides a summary of the facilities with ACH beds in Mecklenburg County, utilizing information from Table 11A, pages 235-236, and Table 11B, page 248, of the 2017 SMFP.

<b>2017 SMFP ACH Inventory &amp; 2020 Need Projections Mecklenburg County</b>	
# of Facilities with ACH Beds	52
# of ACH Beds in Freestanding ACH Facilities	2,846
# of ACH Beds in NFs	235
Total Licensed Beds	3,081
# CON Approved	273
Total # Available	3,354
Total # in Planning Inventory	3,305
Projected Bed Surplus	311
Source: 2017 SMFP	

As the table above shows, there are 52 facilities with ACH beds in Mecklenburg County. The proposed project will acquire and relocate 40 undeveloped ACH beds from Preston House, which had been authorized for development through Project I.D. #F-8522-10, to a newly constructed ACH facility, Arbor Ridge. Therefore, the number of CON approved ACH beds will decrease and the number of licensed ACH beds will increase in Mecklenburg County once the proposed project is completed (see above table).

In Section VI.5, page 35, the applicant states that the new facility will provide the highest quality of care available, in part by leveraging higher private pay rates, which in turn, will benefit residents relying on Medicaid.

See also Sections II, III, VI, and X where the applicant discusses the impact of the project on cost-effectiveness, quality and access to the proposed services.

The applicant discusses how any enhanced competition in the service area, including how the proposed project will have a positive impact on cost-effectiveness, quality, and access to the proposed services in Section VI.5, page 35. The information in the application is reasonable and adequately supported for the following reasons:

- The applicant adequately demonstrates the need for the proposed project and that it is a cost-effective alternative.
- The applicant adequately demonstrates that it will provide quality services
- The applicant demonstrates that it will provide adequate access to medically underserved populations.

This determination is based on a review of the:

- Information in the application, including any exhibits.
- Information which was publicly available during the review and used by the Agency.

Therefore, the applicant adequately demonstrates that 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.10, page 8, the applicant states that Ridge Care, the management company for the proposed facility, manages nine ACH facilities in North Carolina. According to the files in the Adult Care Licensure Section, DHSR, one incident occurred at one of the facilities within the 18 months immediately preceding the submission of the application through the date of the decision related to quality of care. As of the date of this decision, the problem had been corrected. After reviewing and considering information provided by the applicants and by Adult Care Licensure Section, and considering the quality of care provided at all nine facilities, the applicant provided sufficient evidence that quality care has been provided in the past.

The information in the application, including any exhibits, is reasonable and adequately supported for the following reasons:

- The applicant provides adequate and credible documentation of its current policies with regard to providing quality care.
- The applicant provides accurate information regarding past deficiencies and how those deficiencies were addressed.

This determination is based on a review of the:

- Information in the application, including any exhibits.
- Information which was publicly available during the review and used by the Agency.

Therefore, the applicant adequately demonstrates that the application is conforming to this criterion.

(21) Repealed effective July 1, 1987.

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

## C

The application is conforming with all applicable Criteria and Standards for Nursing Facility or Adult Care Home Services promulgated in 10A NCAC 14C .1100. The specific criteria are discussed below.

### **SECTION .1100 - CRITERIA AND STANDARDS FOR NURSING FACILITY SERVICES or ADULT CARE HOME SERVICES**

#### **10A NCAC 14C .1102 PERFORMANCE STANDARDS**

- (a) *An applicant proposing to add nursing facility beds to an existing facility, except an applicant proposing to transfer existing certified nursing facility beds from a State Psychiatric Hospital to a community facility, shall not be approved unless the average occupancy, over the nine months immediately*



*preceding the submittal of the application, of the total number of licensed nursing facility beds within the facility in which the new beds are to be operated was at least 90 percent.*

-NA- The applicant is not proposing to add nursing facility beds to an existing facility. Therefore, this rule is not applicable.

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

-NA- The applicant is not proposing to add nursing facility beds to an existing facility. Therefore, this rule is not applicable.

(c) *An applicant proposing to add adult care home beds to an existing facility shall not be approved unless the average occupancy, over the nine months immediately preceding the submittal of the application, of the total number of licensed adult care home beds within the facility in which the new beds are to be operated was at least 85 percent.*

-NA- The applicant is not proposing to add adult care home beds to an existing facility. Therefore, this rule is not applicable.

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

-C- In Section IV.2, page 30, the applicant projects that the occupancy rate for the facility will be 90% for the fourth quarter of operating year two. The assumptions and methodology for the projections are provided in Section IV.3, page 32. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.