

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: January 25, 2017

Findings Date: January 25, 2017

Project Analyst: Julie Halatek

Team Leader: Lisa Pittman

Project ID #: P-11215-16

Facility: Onslow Assisted Living

FID #: 150505

County: Onslow

Applicants: Onslow Propco Holdings, LLC

Onslow Opco Holdings, LLC

Project: Relocate 40 adult care home beds from Onslow House to the previously approved Onslow Assisted Living for a total of 120 adult care home beds at Onslow House and a total of 80 adult care home beds at Onslow Assisted Living upon completion of this project and Project I.D. #P-11113-15

REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

G.S. 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

Onslow Propco Holdings, LLC, and Onslow Opco Holdings, LLC, propose to acquire and relocate 40 adult care home (ACH) beds from Onslow House in Onslow County to Onslow Assisted Living (OAL). OAL is a previously approved but not yet developed 40 ACH bed facility in Onslow County. At the completion of this project and Project I.D. #P-11113-15, OAL will have a total of 80 ACH beds and Onslow House will have a total of 120 ACH beds.

In Chapter 11, page 241, of the 2016 State Medical Facilities Plan (SMFP), Table 11A lists Onslow House as having 160 licensed ACH beds in the inventory of Onslow County ACH beds.

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

The following two policies are applicable to this review:

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

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

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

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

All 40 existing beds are located in Onslow County, and the facility under development is also located in Onslow County; therefore, the number of licensed adult care home beds in Onslow County will not change as a result of this project. The application is consistent with Policy LTC-2.

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

“Any person proposing a capital expenditure greater than \$2 million to develop, replace, renovate or add to a health service facility pursuant to G.S. 131E-178 shall include in its certificate of need application a written statement describing the project’s plan to assure improved energy efficiency and water conservation.

In approving a certificate of need proposing an expenditure greater than \$5 million to develop, replace, renovate or add to a health service facility pursuant to G.S. 131E-178, Certificate of Need 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 for energy efficiency and water conservation that conforms to the rules, codes and standards implemented by the Construction Section of the Division of Health Service Regulation. The plan must be consistent with the applicant's representation in the written statement as described in paragraph one of Policy GEN-4. The plan shall not adversely affect patient or resident health, safety or infection control."

In Section X.9, page 39, the applicants state the facility will be constructed with the newest materials and construction standards that will create energy efficiencies, including dual pane windows, modern insulation and HVAC units, and a tank-less water heater system. In supplemental information received December 9, 2016, the applicants provide a letter dated August 15, 2016 from an architectural firm which outlines the energy conservation standards that will be incorporated into the facility design in order to comply with Policy GEN-4. The application is consistent with Policy GEN-4.

Conclusion

In summary, the applicants adequately demonstrate that the proposal is consistent with Policy LTC-2 and Policy GEN-4. 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 acquire and relocate 40 adult care home (ACH) beds from Onslow House, an existing and licensed ACH facility in Onslow County, to Onslow Assisted Living (OAL). OAL is a previously approved but not yet developed 40 ACH bed facility in Onslow County. At the completion of this project and Project I.D. #P-11113-15, OAL will have a total of 80 ACH beds and Onslow House will have a total of 120 ACH beds.

Onslow House is currently operational. On page 15, the applicants state that the historical data for Onslow House shows a consistent occupancy of fewer than 100 residents, despite the facility being licensed for 160 ACH beds. The applicants state that they propose to relocate 40 of the existing licensed ACH beds and that no individuals currently served by Onslow House will be affected by the relocation.

Patient Origin

On page 223, the 2016 SMFP defines the service area for ACH 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 Onslow County. Facilities may also serve residents of counties not included in their service area.

In Section III.7, page 15, the applicants provide the projected patient origin for OAL. The applicants state that 100 percent of patients are projected to be residents of Onslow County. In Section III.6(c), pages 14-15, the applicants state that the replacement facility is located “*within the same general area as the original facility*” and thus projected patient origin will not differ from historical patient origin.

The applicants adequately identify the population to be served.

Analysis of Need

In supplemental information received January 6, 2017, along with Exhibits E and F, the applicants describe the need to relocate 40 existing ACH beds from Onslow House to OAL. The information provided by applicants is summarized below.

- The NC Office of State Budget and Management projects a 62 percent increase in the number of Onslow County residents aged 60 and older between 2013 and 2033. See Exhibit F.
- According to the American Community Survey 2009-2013 from the US Census Bureau, 44.9 percent of Onslow County residents are both aged 65 years and older and have one or more disabilities, which is higher than the average population across North Carolina (38.1 percent). See Exhibit F.
- The applicants do not propose additional beds in Onslow County; they propose to relocate existing but unoccupied ACH beds within the county to a new facility because the current design of the rooms housing the beds is outdated and doesn't meet the needs of many prospective residents.
- The units are small, poorly lit, and feature outdated quality of care features.
- By relocating the unused beds, those beds can then be redeveloped in a new facility that will provide a better quality of life.

- The relocation will provide for greater accessibility for prospective residents as there is currently only one ACH facility within a 25-minute drive of the proposed site of the relocation.

The applicants’ representations regarding the need to relocate the 40 licensed but unoccupied ACH beds to serve projected residents are reasonable and adequately supported.

Projected Utilization

In Section IV.2, page 17, the applicants provide projected utilization for OAL and the projected 80 ACH beds during the first two operating years (OYs), as shown in the table below.

Projected Utilization – Onslow Assisted Living – OYs 1-2					
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
FFY 2019	10/1/18 – 12/31/18	1/1/19 – 3/31/19	4/1/19 – 6/30/19	7/1/19 – 9/30/19	
Patient Days	2,208	3,240	4,368	5,516	15,332
Occupancy Rate	30.0%	45.0%	60.0%	75.0%	52.5%
# of Beds	80	80	80	80	80
FFY 2020	10/1/19 – 12/31/19	1/1/20 – 3/31/20	4/1/20 – 6/30/20	7/1/20 – 9/30/20	
Patient Days	6,486	6,770	6,770	6,845	26,872
Occupancy Rate	88.1%	94.0%	93.0%	93.0%	92.0%
# of Beds	80	80	80	80	80

As shown in the table above, during the second operating year (FFY 2020), the applicants project that the facility will average 92 percent occupancy [$26,872 / 365 / 80 = 0.92$, or 90%].

In Exhibit L, the applicants provide the assumptions and methodology used to project utilization of the 80 ACH beds.

There are no Regulatory Review Criteria that are applicable to this project; therefore, there are no performance standards for utilization that must be met. The applicants’ projections of the number of patient days following the relocation of the existing 40 ACH beds along with the 40 ACH beds previously approved in Project I.D. #P-11113-15 are based on reasonable and adequately supported assumptions. Therefore, the applicant adequately demonstrates the need to relocate 40 existing but unoccupied ACH beds from the existing Onslow House facility to the OAL facility currently under development.

Access

In Sections VI.3(a)-(b), pages 22-23, the applicants state that all persons will be admitted to the facility, receive services at the facility, and have the same payment policies regardless of race, color, creed, age, national origin, handicap, sex, or source of payment. In Section VI.2, page 22, the applicants project that 40 percent of patients will be private pay patients and 60 percent will receive State/County Special Assistance/Basic Medicaid funding. The applicants also state that private pay residents who spend down and become eligible for special assistance will not be discharged and every effort will be made to assist the resident and family with applying for State/County Special Assistance with Medicaid. The applicants adequately demonstrate the

extent to which all residents of the area, including the medically underserved, are likely to have access to the proposed services.

Conclusion

In summary, the applicants adequately identify the population to be served, adequately demonstrate the need that this population has for the proposed project, and adequately demonstrate the extent to which all residents, including underserved groups, will 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.

NA

Although this application proposes a relocation of existing ACH beds to a new location in Onslow County, the 40 existing ACH beds that are proposed to be relocated are not currently utilized. In Section III.6(d), page 15, the applicants state:

“Historical Census data at Onslow House shows a consistent occupancy of less than one-hundred residents while the facility is licensed for one-hundred sixty beds. The Applicant [sic] proposes to relocate forty of these licensed beds to Onslow Assisted Living.

No individuals currently served will be affected by this bed relocation.”

License Renewal Applications submitted by Onslow House from 2001 – 2016 reflect at least 57 vacant beds each year.

- (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 supplemental information received January 11, 2017, the applicants discuss the alternatives considered prior to the submission of this application, which include:

- Continue to Operate the Facility with Unused Beds – the applicants state that this alternative was not the best option because a change was needed for the beds and private rooms are more highly desired by residents than semi-private rooms; thus, the applicants rejected this alternative.

- Renovate the Existing Facility to Create More Private Rooms – the applicants state that doing this would mean giving up licensed beds and could possibly create a deficit for Onslow County; thus, the applicants rejected this alternative.
- Relocate 40 ACH beds to OAL – the applicants state that relocating the 40 existing ACH beds from Onslow House to OAL would be the most cost effective and reasonable alternative.

After considering the above alternatives, the applicants state the proposed alternative represents the most effective alternative to meet the identified need.

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

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

- 1. Onslow Holdco Holdings, LLC and Onslow Opco Holdings, LLC shall materially comply with all representations made in the certificate of need application and supplemental information received December 14, 2016, January 6, 2017, and January 11, 2017. In those instances where representations conflict, Onslow Holdco Holdings, LLC and Onslow Opco Holdings, LLC shall materially comply with the last made representation.**
- 2. Onslow Holdco Holdings, LLC and Onslow Opco Holdings, LLC shall add no more than 40 adult care home beds for a total of no more than 80 adult care home beds upon completion of this project and Project I.D. #P-11113-15.**
- 3. The total approved capital expenditure for Project I.D. #P-11113-15 and Project I.D. #P-11215-16 combined is \$9,079,500, an increase of \$4,481,700 over the previously approved capital expenditure of \$4,597,800.**
- 4. For the first two years of operation following completion of the project, Onslow Holdco Holdings, LLC and Onslow Opco Holdings, 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.**
- 5. Onslow Holdco Holdings, LLC and Onslow Opco Holdings, LLC shall provide care to recipients of State/County Special Assistance with Medicaid, commensurate with representations made in the application.**
- 6. Upon issuance of the certificate of need for this project, Onslow House shall take the necessary steps to de-license 40 of its existing adult care home beds.**

7. Onslow Holdco Holdings, LLC and Onslow Opco Holdings, LLC shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Healthcare Planning and Certificate of Need Section in writing prior to issuance of the certificate of need.

- (5) Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial feasibility of the proposal, based upon reasonable projections of the costs of and charges for providing health services by the person proposing the service.

C

The applicants propose to acquire and relocate 40 ACH beds from Onslow House to OAL. OAL is a previously approved but not yet developed 40 ACH bed facility in Onslow County. At the completion of this project and Project I.D. #P-11113-15, OAL will have a total of 80 ACH beds.

Capital and Working Capital Costs

In supplemental information received January 6, 2017, the applicants project the total capital cost of developing the new facility, which includes the costs for the previously approved Project I.D. #P-11113-15, will be \$9,079,500. The applicants provide a breakdown of previously approved costs as well as projected costs, as shown below:

	<u>P-11113-15</u>	<u>P-11215-16</u>	<u>Total</u>
Site Costs:	\$1,050,800	\$164,200	\$1,215,000
Construction:	\$2,387,500	\$4,227,500	\$6,615,000
Equipment:	\$400,000	\$0	\$400,000
Financing/Interest:	\$319,500	\$50,000	\$369,500
Consultant Fees:	\$240,000	\$40,000	\$280,000
<u>Contingency:</u>	<u>\$200,000</u>	<u>\$0</u>	<u>\$200,000</u>
Total:	\$4,597,800	\$4,481,700	\$9,079,500

In supplemental information received December 14, 2016, the applicants project the total working capital (start-up and initial operating expenses) costs for the development of OAL, which includes the start-up and initial operating expenses from the previously approved Project I.D. #P-11113-15, will be \$677,567, which is an increase of \$298,056 from the previously approved project.

Availability of Funds

In Section VIII.2, page 32, the applicants state that the capital costs will be financed by a commercial loan in the amount of \$9,079,500. In supplemental information received December 14, 2016, the applicants provide a letter dated August 15, 2016 from the Managing Director of Locust Point Capital, Inc., offering to provide financing for the capital costs via loan in the amount of \$9,079,500. The applicants further state that the loan information for the working capital expenditures can be found in Exhibits P and Q. In supplemental information received December 14, 2016, the applicants provide a letter dated August 15, 2016 from the Managing

Director of Locust Point Capital, Inc., offering to provide financing for the working capital costs via loan in the amount of \$677,567. The applicants adequately demonstrate the availability of sufficient funds for the capital and working capital needs of the project.

Financial Feasibility

In the pro forma financial statements for the proposed project and in supplemental information received January 6, 2017, the applicants project that expenses will exceed operating expenses during the first operating year following project completion, but that revenues will exceed operating expenses in each of the next two operating years following project completion, as shown in the table below.

OAL – Projected Revenue/Expenses – Operating Years 1-3			
	OY 1 - FFY 2019	OY 2 - FFY 2020	OY 3 - FFY 2021
Projected # State/County SA Patient Days	9,491	16,003	16,294
Projected # Private Pay Patient Days	5,841	10,869	10,862
Gross Patient Revenue	\$1,373,890	\$2,425,462	\$2,453,103
Total Expenses*	\$1,908,318	\$2,381,648	\$2,387,806
Net Income	(\$534,428)	\$43,815	\$65,297

*Includes non-reimbursable costs of services

The assumptions used by the applicants in preparation of the pro forma financial statements are reasonable, including projected utilization, costs, and charges. See the financial section of the application for the assumptions used regarding costs and charges. The discussion regarding utilization projections for relocated acute care beds and operating rooms found in Criterion (3) is incorporated herein by reference. The discussion regarding staffing found in Criterion (7) is incorporated herein by reference. The applicants adequately demonstrate the availability of sufficient funds for the operating needs of the project and that the financial feasibility of the proposal is based upon reasonable and adequately supported assumptions regarding projected utilization, revenues (charges), and operating costs.

Conclusion

In summary, the applicants adequately demonstrate the availability of sufficient funds for the capital and working capital needs of the project. Furthermore, the applicants adequately demonstrate the availability of sufficient funds for the operating needs of the project and that the financial feasibility of the proposal is based upon reasonable and adequately supported assumptions regarding projected utilization, revenues (charges), and operating costs. Therefore, the application is conforming to this criterion.

- (6) The applicant shall demonstrate that the proposed project will not result in unnecessary duplication of existing or approved health service capabilities or facilities.

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The applicants propose to acquire and relocate 40 adult care home (ACH) beds from Onslow House, an existing and licensed ACH facility in Onslow County, to Onslow Assisted Living (OAL). OAL is a previously approved but not yet developed 40 ACH bed facility in Onslow County. At the completion of this project and Project I.D. #P-11113-15, OAL will have a total of 80 ACH beds and Onslow House will have a total of 120 ACH beds.

On page 223, the 2016 SMFP defines the service area for ACH 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 Onslow County. Facilities may also serve residents of counties not included in their service area.

Onslow House is currently operational. On page 15, the applicants state that the historical data for Onslow House shows a consistent occupancy of fewer than 100 residents, despite the facility being licensed for 160 ACH beds. The applicants state that they propose to relocate 40 of the existing licensed ACH beds and that no individuals currently served by Onslow House will be affected by the relocation.

On page 241 of the 2016 SMFP, Table 11A documents that there are currently a total of seven existing facilities in Onslow County that offer ACH services. The table below is a summary of those seven facilities in Onslow County, recreated from the 2016 SMFP, Chapter 11, Table 11A and Table 11B, page 251. There is a projected surplus of 15 ACH beds in 2019 for Onslow County.

2016 ACH Inventory and 2019 Need Projections for Onslow County	
# ACH Facilities*	7
# Beds in ACH Facilities	431
# Beds in Nursing Facilities	7
Total # Licensed Beds	438
# CON Approved Beds (License Pending)	0
Total # ACH Beds Available	438
Total # ACH Beds in Planning Inventory	438
Projected Bed Utilization Summary	423
Projected Bed Surplus (Deficit)	15

*Includes Holly Ridge Assisted Living, which has 40 licensed but unoccupied beds, and was the subject of Project I.D. #P-11113-15.

The applicants do not propose to develop new ACH beds, but rather to relocate 40 ACH beds, which are currently licensed and located in an operational facility but which are consistently vacant, to a new facility under development. There will be no increase in the inventory of ACH beds or the number of facilities in Onslow County. The discussions regarding analysis of need, including projected utilization, access, and alternatives found in Criteria (3) and (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 Onslow County. Consequently, the application is conforming to this criterion.

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

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The applicants propose to provide personal care staff twenty-four hours per day, seven days per week. In Section VII, Table VII.3, page 29, the applicants state that by FFY 2020 (the second full fiscal year) the ACH facility will be staffed by 31.0 full-time equivalent (FTE) positions, including 17.5 FTEs that will be personal care aides. Adequate costs for the health manpower and management positions proposed by the applicants are budgeted in the pro forma financial statements. The applicants adequately demonstrate the availability of sufficient health manpower and management personnel to provide the proposed services. Therefore, the application is conforming to this criterion.

- (8) The applicant shall demonstrate that the provider of the proposed services will make available, or otherwise make arrangements for, the provision of the necessary ancillary and support services. The applicant shall also demonstrate that the proposed service will be coordinated with the existing health care system.

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In Section II., pages 7-9, the applicants describe the manner in which they will provide the necessary ancillary and support services. Exhibit X contains copies of letters from area providers of ancillary and support services, submitted as part of Project I.D. #P-11113-15, who expressed support for that project and offered to provide services. Exhibit J contains a letter from the Director of Case Management at Onslow Memorial Hospital, writing in support of Project I.D. #P-11113-15, which the applicants represent as contact to establish a transfer agreement. The applicants adequately demonstrate that necessary ancillary and support services are available and that the proposed services will be coordinated with the existing healthcare 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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The applicants propose to relocate 40 existing but unoccupied ACH beds from an existing facility to a facility under development. The proposed location of the facility is Hammock Beach Road in Swansboro. In supplemental information received December 9, 2016, and January 6, 2017, the applicants provide a letter from an architect that estimates that site and construction costs for the proposed 47,250 square foot facility will be approximately \$140 per square foot, which corresponds to the projected capital costs in Section VIII, page 31. The letter further describes the proposed project's plan to assure improved energy efficiency and water conservation. The discussion regarding costs and charges found in Criterion (5) is incorporated herein by reference. The applicants adequately demonstrate that the cost, design, and means of construction represent the most reasonable alternative, and that the construction project will not unduly increase costs and charges for health services. Therefore, the application is conforming to this criterion.

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

NA

The applicants propose to relocate 40 existing but consistently vacant ACH beds from Onslow House, an operational facility that is not owned by the applicants, to OAL, a

previously approved but not yet developed facility. The applicants do not currently operate any of the ACH beds proposed for OAL.

- (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 applicants propose to relocate 40 existing but consistently vacant ACH beds from Onslow House, an operational facility that is not owned by the applicants, to OAL, a previously approved but not yet developed facility. The applicants do not currently operate any of the ACH beds proposed for OAL.

- (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

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In Table VI.3, page 27, the applicants project the following payor mix during the second FFY of operation (FFY 2020):

Projected Payor Mix – FFY 2020 - OAL	
Payor Source	ACH Beds
Private Pay	40%
State/County Special Assistance	60%
Total	100%

As shown in the table above, the applicants project 60 percent of residents will have services paid for by State/County Special Assistance with Medicaid and 40 percent of residents will be private pay residents. In Section VI.3, pages 22-23, the applicants state that all persons will be admitted to the facility, receive services at the facility, and have the same payment policies regardless of race, color, creed, age, national origin, handicap, sex, or source of payment.

The applicants demonstrate that medically underserved populations will have adequate access to the proposed ACH services. Therefore, the application is conforming to this criterion.

- (d) That the applicant offers a range of means by which a person will have access to its services. Examples of a range of means are outpatient services, admission by house staff, and admission by personal physicians.

C

In Section VI.3, page 22, the applicants state admission to the facility will be upon the written order of a physician. In Exhibit M, the applicants provide a copy of the Residency & Services Admission Agreement. The applicants adequately demonstrate that the facility will offer a range of means by which patients will have access to the proposed services. Therefore, the application is conforming to this criterion.

- (14) The applicant shall demonstrate that the proposed health services accommodate the clinical needs of health professional training programs in the area, as applicable.

C

In Sections V.1-2, page 19, the applicants state that the facility is not yet operational but provide the names of health professional training programs in the area which they have contacted. Exhibit K contains a letter from the Health Training Coordinator at Coastal Carolina Community College, originally submitted as part of Project I.D. #P-11113-15, supporting the project, and expressing interest in utilizing the facility as an additional clinical training site. The information provided is reasonable and supports a finding of conformity with 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

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On page 223, the 2016 SMFP defines the service area for ACH 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 Onslow County. Facilities may also serve residents of counties not included in their service area.

Onslow House is currently operational. On page 15, the applicants state that the historical data for Onslow House shows a consistent occupancy of fewer than 100 residents, despite the facility being licensed for 160 ACH beds. The applicants state that they propose to relocate 40 of the existing licensed ACH beds and that no individuals currently served by Onslow House will be affected by the relocation.

On page 241 of the 2016 SMFP, Table 11A documents that there are currently a total of seven existing facilities in Onslow County that offer ACH services. The table below is a summary of those seven facilities in Onslow County, recreated from the 2016 SMFP, Chapter 11, Table 11A and Table 11B, page 251. There is a projected surplus of 15 ACH beds in 2019 for Onslow County.

2016 ACH Inventory and 2019 Need Projections for Onslow County	
# ACH Facilities*	7
# Beds in ACH Facilities	431
# Beds in Nursing Facilities	7
Total # Licensed Beds	438
# CON Approved Beds (License Pending)	0
Total # ACH Beds Available	438
Total # ACH Beds in Planning Inventory	438
Projected Bed Utilization Summary	423
Projected Bed Surplus (Deficit)	15

*Includes Holly Ridge Assisted Living, which has 40 licensed but unoccupied beds, and was the subject of Project I.D. #P-11113-15.

The applicants do not propose to develop new ACH beds, but rather to relocate 40 ACH beds, which are currently licensed and located in an operational facility but which are consistently vacant, to a new facility under development. There will be no increase in the inventory of ACH beds or the number of facilities in Onslow County.

In Section VI.5, pages 23-24, and in supplemental information received December 14, 2016 and January 6, 2017, 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. This determination is based on the information in the application and the following analysis:

- The applicants adequately demonstrate the need for the proposed project and that it is a cost-effective alternative. The discussions regarding analysis of need, including projected utilization, and alternatives found in Criteria (3) and (4), respectively, are incorporated herein by reference.

- The applicants adequately demonstrate that they will provide quality services. The discussion regarding quality found in Criterion (20) is incorporated herein by reference.
- The applicants demonstrate that they will provide adequate access to medically underserved populations. The discussions regarding access found in Criteria (3) 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.

C

In supplemental information provided January 6, 2017, the applicants identify facilities in North Carolina which are operated and managed by Affinity Living Group, LLC, the proposed operator of the proposed facility. A total of 77 affiliated facilities were identified either by the applicants or by information from the Adult Care Licensure Section, DHSR. According to the files in the Adult Care Licensure Section, there were 19 instances where 18 of the affiliated facilities were out of compliance with Medicare conditions of participation within the last 18 months. The problems have since been corrected and at this time, all of the facilities are in compliance with all Medicare conditions of participation. 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.