

## ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: January 27, 2017

Findings Date: January 27, 2017

Project Analyst: Gloria Hale

Team Leader: Lisa Pittman

Project ID #: O-11221-16

Facility: Arbor Landing at Hampstead

FID #: 160406

County: Pender

Applicant: Arbor Landing at Hampstead, LLC

Project: Relocate the 19 beds from Pen-Du Rest Home to a new facility in Pender County

### REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

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

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

C

The applicant, Arbor Landing at Hampstead, LLC, proposes to acquire and relocate 19 existing adult care home (ACH) beds from Pen-Du Rest Home, an ACH located in northern Pender County licensed for 19 ACH beds, to a new facility, Arbor Landing at Hampstead (Hampstead) pursuant to Policy LTC-2 in the 2016 State Medical Facilities Plan (SMFP). The 19 beds at Hampstead will be located in a wing of a newly constructed independent living facility located in Hampstead, southeastern Pender County. All 19 beds will be ACH special care unit (SCU) beds for a total of 19 ACH SCU 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 2016 SMFP. Therefore, there are no need determinations applicable to this review.

### **Policies**

There is one policy in the 2016 SMFP that is applicable to this review: Policy LTC-2: Relocation of Adult Care Home Beds.

Policy LTC-2 states:

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

Both facilities are located in Pender County; therefore the number of licensed adult care home beds in Pender County does not change with the proposed relocation of the beds. The application is consistent with Policy LTC-2.

### **Conclusion**

In summary, the applicant adequately demonstrates that its proposal is consistent with Policy LTC-2. 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 applicant, Arbor Landing at Hampstead, LLC, proposes to acquire and relocate 19 existing ACH beds from Pen-Du Rest Home to a new facility, Hampstead, pursuant to Policy LTC-2 in the 2016 SMFP. All 19 of the ACH beds will be SCU beds for a total of 19 SCU beds at Hampstead upon completion of the project. Hampstead will be located in southwestern Pender County at 14005 US-17, in Hampstead, Pender County, and will be managed by Ridge Care.

**Population to be Served**

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

In Section III.7, pages 29-30, the applicant provides the current and projected patient origin for Pen-Du Rest Home and Hampstead, respectively, as shown in the table below:

**Current and Projected Patient Origin**

<b>County</b>	<b>Pen-Du Rest Home Current % of Total ACH Admissions</b>	<b>Hampstead Projected % of Total ACH Admissions</b>
Pender	53.0%	90.0%
Duplin	26.0%	1.0%
New Hanover	16.0%	6.0%
Onslow	5.0%	3.0%
Total	100.0%	100.0%

In Section III.7, page 30, the applicant states that the projected patient origin is expected to change from the current patient origin because of the change in location of the ACH beds. Specifically, the applicant states, on page 30, Pen-Du Rest Home is located near the Duplin County border in the northeast corner of the state, therefore there are a number of patients from Duplin County. The applicant states, in Section III.6, page 29, that Hampstead will be located in an area of Pender County that “*serves a significantly larger proportion of the county’s population...*” In addition, the applicant states, in Section III.7,

page 30, that the projected percentages of patients from Duplin, New Hanover, and Onslow counties “*have been estimated based off of their relative population and geographic proximity to the proposed facility.*”

The applicant adequately identifies the population to be served.

**Analysis of Need**

In Section III.1, pages 19-26, the applicant describes the need to relocate the 19 existing Pen-Du Rest Home ACH beds to the Hampstead facility and to have them all licensed as SCU beds, summarized as follows:

- The current building is too old and too small to be able to provide higher quality of care, meet current construction requirements, including energy efficiency, and is on a site that is too small to build a replacement facility.
- The current facility, located on the outer edge of Pender County, is not situated to serve the population of Pender County well, whereas the proposed site will be located in a much more populous area.
- The need for special care beds to serve patients with Dementia or Alzheimer’s Disease far outweighs the current number of special care beds in Pender County.

**Projected Utilization**

The applicant provides historical utilization for Pen-Du Rest Home, in Section IV.1, page 31, as follows:

**Pen-Du Rest Home ACH Resident Days of Care  
August 2014 through July 2015\***

	<b>Aug</b>	<b>Sept</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>	<b>May</b>	<b>Jun</b>	<b>July</b>	<b>Total</b>
ACH Patient Days	543	543	543	543	543	543	543	543	543	543	543	543	6,513
# of Beds	19	19	19	19	19	19	19	19	19	19	19	19	19
Occupancy Rate	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%

\*The applicant does not own or operate Pen-Du Rest Home, therefore the applicant did not have access to monthly census data for the facility. The applicant obtained Pen-Du Rest Home’s total ACH patient days from the its 2016 License Renewal Application (LRA) and divided them equally for each month of the reporting period.

As the table above shows, Pen-Du Rest Home is currently operating at 94% capacity.

In Section IV.1, page 32, the applicant provides projected utilization for the second operating year (OY), March 1, 2019 through February 28, 2020, summarized as follows:

**Hampstead Projected ACH Resident Days of Care  
OY2, March 1, 2019 through February 28, 2020**

<b>ACH SCU Beds</b>	<b>1<sup>st</sup> quarter</b>	<b>2<sup>nd</sup> quarter</b>	<b>3<sup>rd</sup> quarter</b>	<b>4<sup>th</sup> quarter</b>	<b>Total</b>
Patient Days	1,647	1,647	1,647	1,647	6,588
# of Beds	19	19	19	19	19
Occupancy Rate	95.0%	95.0%	95.0%	95.0%	95.0%

As shown above, for the second operating year following completion of the proposed project, the applicant projects that the 19 SCU beds will operate at 95.0% of capacity ( $6,588/365/19 = 0.950$  or 95.0%) during each quarter.

The applicant provides its assumptions and methodology, in supplemental information and on page 32 of the application, 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 one patient to be admitted on day one. Thereafter, the applicant assumes two patients will be admitted each month until the occupancy levels reach 95%. In addition, in Section III.6, page 28, the applicant states that 10 of the current residents at Pen-Du Rest Home have a diagnosis of Dementia or Alzheimer's Disease and therefore, could move to the new facility upon completion. Therefore, the applicant's projected utilization is based on reasonable and adequately supported assumptions.

**Access**

The applicant states, in Section VI.3, page 35, that admissions to Hampstead will occur only on the written order of a physician and that:

*"...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 35, that all routine and specialized services will be made available to all persons without regard to the afore-mentioned categories. In Section VI.2, page 35, the applicant states that 62% of Hampstead's patient days for the second operating year will be paid by Special Assistance – Basic Medicaid. 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**

In summary, the applicant adequately identifies the population to be served; adequately demonstrates the need the population to be served has for the proposed services; and demonstrates the extent to which all residents of the area, including underserved groups, are likely to have access to the services. Therefore, the application is conforming to this criterion.

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

C

The applicant, Arbor Landing at Hampstead, LLC proposes to acquire and relocate 19 existing adult care home (ACH) beds from Pen-Du Rest Home, an ACH licensed for 19 ACH beds, to a new facility, Hampstead, pursuant to Policy LTC-2 in the 2016 State Medical Facilities Plan (SMFP). All 19 ACH beds will be SCU beds for a total of 19 SCU beds upon completion of the project. Pen-Du Rest Home and the proposed Hampstead facility are both located in Pender County.

The applicant states, in Section III.1, page 19, that the existing building for Pen-Du Rest Home, located in Wallace in the northeastern area of Pender County near the border of Duplin County, is *“too old and too small”* to meet current construction requirements. In addition, the building is on a 1.65 acre site which is not large enough to accommodate a larger ACH. Moreover, the applicant states, on page 19 of the application, that the location of Pen-Du Rest Home is too remote and states that *“...only 2,331 people live within a 15-minute drive (see Exhibit 25).”* In Section X.2, page 50, the applicant states that the proposed site for the relocated beds is in Hampstead, in the southeastern area of Pender County, on 7.03 acres, and as stated in Section III.1, page 19, is in a more densely populated area where *“...18,358 people live within a 15-minute drive of the proposed location (see Exhibit 27).”*

In Section III.6, page 28, the applicant describes how the needs of the residents currently served at Pen-Du Rest Home will continue to be served upon relocation of the beds to Hampstead. The applicant states that the owner of Pen-Du Rest Home plans to operate the building as a family care home and as such, up to six residents may choose to remain there. In addition, the applicant states that 10 of the 19 residents have a diagnosis of Dementia or Alzheimer’s Disease and therefore, could be served at Hampstead. Moreover, the applicant states that the remaining residents would need to be transferred to other existing ACHs and that, in fact, nine of the residents are not from Pender County, and could be transferred to ACH facilities within their respective counties of origin.

Furthermore, the applicant states, in Section III.6, page 29, that relocating the 19 beds to an area of the county with a greater number of residents would provide greater access to ACH care for Pender County residents. In Section VI.3, page 35, the applicant states that all persons meeting admission criteria will be admitted to the proposed facility, regardless of their race, color, creed, age, national origin, handicap, sex, or source of payment, and likewise, all routine and specialized services will be provided to them.

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

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

#### CA

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

- 1) Renovate existing facility or construct a new building on existing site – the applicant states that neither of these alternatives would be the most effective alternatives for the following reasons:
- the existing location does not best serve the population, and
  - the existing site is not large enough to build an independent living facility on it.

The applicant states that the proposed project will relocate the 19 ACH beds to a more centralized area of the county where there is a larger population and states, “...*the proposed location would provide an enhanced access to care for Pender County residents.*”

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.

In summary, the applicant adequately demonstrates that the proposed alternative is the most effective or least costly alternative to meet the need identified. The application is conforming to this criterion and approved subject to the following conditions.

- 1. Arbor Landing at Hampstead, LLC shall materially comply with all representations made in the certificate of need application and in supplemental information. In those instances where representations conflict, Arbor Landing at Hampstead, LLC shall materially comply with the last made representation.**
- 2. Arbor Landing at Hampstead, LLC shall relocate 19 adult care home beds from Pen-Du Rest Home to Arbor Landing at Hampstead, pursuant to Policy LTC-2, for no more than 19 adult care home beds at Arbor Landing at Hampstead upon project completion.**

3. **Arbor Landing at Hampstead, LLC shall provide care to recipients of State/County Special Assistance with Medicaid, commensurate with representations made in the application.**
  4. **For the first two years of operation following completion of the project, Arbor Landing at Hampstead, LLC shall not increase actual private pay charges more than 5% of the projected private pay charges provided in Section IX 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 made in the certificate of need application.**
  5. **Arbor Landing at Hampstead, 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 applicant proposes to acquire and relocate 19 existing adult care home (ACH) beds from Pen-Du Rest Home, an ACH licensed for 19 ACH beds, to a new facility, Hampstead, pursuant to Policy LTC-2 in the 2016 State Medical Facilities Plan (SMFP). All 19 ACH beds will be SCU beds for a total of 19 SCU beds upon completion of the project. The applicant states, in Section II.1, page 9, that the 19 SCU beds will be located in a *“wing of a proposed independent living facility.”*

### **Capital and Working Capital Costs**

In Section VIII.1, page 43, the applicant projects the total capital cost of the proposed project will be \$1,830,000, including:



**Projected Capital Costs for Hampstead**

<b>Costs</b>	<b>Total Costs</b>
Site	\$ 210,000
Construction	\$ 1,530,000
Architect & Engineering Fees*	\$ 90,000
<b>Total Capital Costs</b>	<b>\$ 1,830,000</b>

\*A letter provided by an architect in supplemental information states that the costs for equipment and furniture are included in the Architect & Engineering Fees.

In supplemental information, the applicant states that it will have minimal start-up costs and initial operating costs of \$200,000 and that both will be funded by the operational budget of the independent living facility (IPL) to be built on the site. The applicant states that the IPL will be operational and providing revenue before the ACH is developed.

**Availability of Funds**

In Section VIII.2, page 44, 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, 2016 from the Senior Vice President of Fidelity Bank stating that the bank will consider lending \$2,700,000 for 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 Section IX.3, page 48, the applicant projects that the private pay charge for a private room at Hampstead in operating year one will be \$193.97 per day and \$203.67 per day in operating year two. All 19 ACH beds at Hampstead will be SCU beds.

In supplemental information, the applicant provides pro forma financial statements and assumptions for the pro forma financial statements for the first two operating years of the project. The applicant projects operating costs will exceed revenues in the first operating year of the project, and that revenues will exceed operating costs in the second operating year of the project, as illustrated in the table below.

**Hampstead**

<b>ACH Beds</b>	<b>Project Year 1 (3/1/18 – 2/28/19)</b>	<b>Project Year 2 (3/1/19 – 2/28/20)</b>
Projected # of patient days	4,485	6,588
Projected Average Charge* (Gross Patient Revenue/ Projected # of Patient Days)	\$ 129	\$ 132
Gross Patient Revenue	\$ 577,375	\$ 872,486
Deductions from Gross Patient Revenue	\$ 0	\$ 0
Net Patient Revenue	\$ 577,375	\$ 872,486
Total Expenses	\$ 602,948	\$ 814,023
Net Income	\$ (25,573)	\$ 58,464

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

The applicant adequately demonstrates 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. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

**Conclusion**

In summary, the applicant adequately demonstrates the availability of sufficient funds for the capital needs of the project. Furthermore, the applicant adequately demonstrates that the financial feasibility of the proposal is based upon reasonable projections of costs and charges. Therefore, the application is conforming to this criterion.

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

**C**

The applicant proposes to acquire and relocate 19 existing ACH beds from Pen-Du Rest Home to Hampstead pursuant to Policy LTC-2. All 19 ACH beds will be SCU beds for a total of 19 SCU beds upon project completion.

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

The 2016 SMFP documents that there are two existing, freestanding ACH facilities and two nursing facilities with ACH beds in Pender County for a total of 202 ACH beds. The table below provides a summary of the facilities with ACH beds in Pender County.

**Pender County Facilities with ACH Beds**

<b>Facility Name</b>	<b>Facility Type</b>	<b>Location</b>	<b>Total # of ACH Beds</b>	<b># of SCU Beds</b>
Ashe Gardens	ACH	Burgaw	60	60
Huntington Health Care	NH	Burgaw	23	0
Pen-Du Rest Home	ACH	Wallace	19	0
Woodbury Wellness Center	NH	Hampstead	100	30

Sources: 2016 SMFP, 2015 and 2016 License Renewal Applications (LRAs)

As the table above shows, there are four facilities that have ACH beds in Pender County: two are combination nursing home and ACH facilities, and two are freestanding ACH facilities. The applicant is proposing to relocate the 19 ACH beds at Pen-Du Rest Home in Wallace to Hampstead, and all 19 beds will be SCU beds. There are 30 SCU beds at Woodbury Wellness Center in Hampstead and 60 at Ashe Gardens in Burgaw. The applicant demonstrates that additional SCU beds are needed in the Hampstead area in Section III.1, page 19, and Section III.2, page 26. In Section III.1, page 19, the applicant states that there are 8,601 people within a 15-minute drive of Ashe Gardens and 18,358 people within a 15-minute drive of the proposed Hampstead site. In addition, the applicant states, in Section III.2, page 26, that based on the current number of SCU beds available in Pender County and the projected population in Pender County for 2020, there is a deficit of 54 SCU beds. The applicant states, on page 26, that the proposed 19 SCU beds at Hampstead represent 35% of the need for SCU beds in Pender County. The discussion regarding the need for the proposed beds found in Criterion (3) is incorporated herein by reference. Consequently, the applicant adequately demonstrates that the proposed project will not result in unnecessary duplication of existing or approved health service capabilities or facilities. Therefore, the application is conforming to this criterion.

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

C

In Section VII.2, page 40, the applicant projects the number of FTE positions in the second operating year for Hampstead, as follows:

**Projected Staff for Hampstead  
 Operating Year Two (March 1, 2019 – February 28, 2020)**

<b>Staff Positions</b>	<b>FTEs</b>	<b>Annual Consultant Hours</b>
<b>Routine Services</b>		
Supervisor	1	
Nurse		96
Personal Care Aide	7	
Pharmacy Consultant		24
<b>Dietary</b>	5	
<b>Activity Services</b>	1	
<b>Housekeeping/Laundry</b>	2	
<b>Maintenance</b>	1	
<b>Administration/General</b>	3	
<b>Totals</b>	<b>20</b>	<b>120</b>

As shown in the table above, the applicant proposes to staff Hampstead’s 19 SCU beds with 20 FTEs, including seven direct care staff positions. Salaries per FTE for the health manpower and management positions proposed by the applicant were provided in supplemental information. Adequate costs for health manpower and management positions are budgeted in the pro forma financial statements that were provided in supplemental information.

The applicant adequately demonstrates the availability of sufficient health manpower and management personnel to provide the proposed services. Therefore, the application is conforming to this criterion.

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

C

In Section II.1, pages 10-12, 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, and therapy services. Exhibit 9 contains a copy of a letter from the applicant to New Hanover Medical Center seeking to enter into a transfer agreement and Exhibit 10 contains copies of letters from the applicant to physicians in the area. In Section V.4, page 33, the applicant states that it,

*“...anticipates that relationships and referral agreements will be created with local agencies and persons in the position to refer residents.*

...

*The facility will reach out to local authorities, such as the Pender County Adult Care Coordinator, to streamline the process of referring residents, especially those relying on Medicaid and County Special Assistance.”*

The applicant adequately demonstrates that the necessary ancillary and support services will be available and that the proposed services will be coordinated with the existing health care system. Therefore, the application is conforming to this criterion.

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

NA

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

NA

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

C

The applicant proposes to acquire and relocate 19 existing ACH beds from Pen-Du Rest Home to Hampstead, pursuant to Policy LTC-2 in the 2016 SMFP. All 19 ACH beds will be SCU beds which will be located in a wing of an independent living facility to be built on 7.03 acres. The SCU wing will be 12,240 square feet. In Section VIII.1, page 43, the applicant states the capital cost of the SCU wing will be \$1,830,000.

Exhibit 22 contains a letter from an architect that estimates the construction costs will total \$1,530,000, and the total capital cost of the project will be \$1,830,000 which corresponds to the project cost projections provided by the applicant in Section VIII.1, page 43. Line drawings of the 19-bed SCU wing are provided in Exhibit 20. In Section X.9, pages 52-53, the applicant describes the methods that will be used by the facility to maintain efficient energy operations. The discussion regarding costs and charges found in Criterion (5) is incorporated herein by reference. The applicant adequately demonstrates that the cost, design and means of construction represent the most reasonable alternative, and that the construction cost 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;

C

In Section III.6, the applicant indicates that it is not the current owner of 19 ACH beds that it proposes to relocate. However, in Section VI.1, page 34, the applicant provides the patient days by payor category for the most recent operating year for Pen-Du Rest Home, based on the facility's 2016 LRA, and summarized as follows:

**Pen-Du Rest Home  
 Patient Days by Payor Category  
 August 1, 2014 – July 31, 2015**

<b>Payor Category</b>	<b># of Patient Days</b>	<b>Percent of Patient Days</b>
Private Pay	1,209	18.6%
Special Assistance – Basic Medicaid	5,303 [5,304]	81.4%
<b>Total</b>	<b>6,513</b>	<b>100.0%</b>

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

<b>Percent of Population</b>						
<b>County</b>	<b>% 65+</b>	<b>% Female</b>	<b>% Racial and Ethnic Minority*</b>	<b>% Persons in Poverty**</b>	<b>% &lt; Age 65 with a Disability</b>	<b>% &lt; Age 65 without Health Insurance**</b>
	<b>2014 Estimate</b>	<b>2014 Estimate</b>	<b>2014 Estimate</b>	<b>2010-2014</b>	<b>2010-2014</b>	<b>2014 Estimate</b>
Pender	17%	50%	26%	15%	13%	20%
Statewide	15%	51%	36%	17%	10%	15%

<http://www.census.gov/quickfacts/table> Latest Data as of 12/22/15

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

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

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

The applicant demonstrates that the facility from which it will relocate the 19 beds provides adequate access to medically underserved populations. Therefore, the application is conforming to this criterion.

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

NA

The applicant will be the new owner of the 19 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.

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

C

In Section VI.2, page 35, the applicant projects the payor mix for Hampstead's second operating year, as follows:

**Hampstead Projected Payor Mix  
OY2 (March 1, 2019 – February 28, 2020)**

<b>Payor Category</b>	<b># of Patient Days</b>	<b>Percent of Patient Days</b>
Private Pay	2,504	38.0%
Special Assistance – Basic Medicaid	4,085	62.0%
<b>Total</b>	<b>6,588</b>	<b>100.0%</b>

As shown in the table above, the applicant projects that 62% of Hampstead's ACH patient days will be covered by Special Assistance-Basic Medicaid. The applicant provides its assumptions for the payor mix for OY2 in supplemental information, stating that the percentage of patient days for Special Assistance-Basic Medicaid is the average percentage of patient days for Special Assistance-Basic Medicaid of all four existing facilities with ACH beds in Pender County.

The applicant further states, on page 36:

*“The facility will not require a financial payment prior to or upon admission for Medicaid recipients.*

...

*Private-pay patients in the special care unit who spend down and become eligible for Medicaid will not be discharged from the facility if there is a bed available in a room designed for dual occupancy in the special care unit.”*



The applicant demonstrates that medically underserved populations would 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 V.4, page 33, the applicant states that Ridge Care, the proposed facility's management company, has experience in opening and managing new facilities and that it will create relationships with local agencies and individuals who can refer residents. In addition, the applicant states that it will work with Pender County's Adult Care Coordinator to refer residents to the facility, especially those relying on Medicaid. In Exhibit 10, the applicant includes letters to area physicians to initiate a working relationship with the proposed facility.

The applicant adequately demonstrates 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 Section V.1, page 33, the applicant states that it is in the process of acquiring relationships with area health professional training programs. Exhibit 8 contains a copy of a letter to Cape Fear Community College offering Hampstead as a clinical training site for the college's nursing assistant students.

The information provided is reasonable and adequately supports a determination 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 proposes to acquire and relocate 19 existing ACH beds from Pen-Du Rest Home to Hampstead, pursuant to Policy LTC-2 in the 2016 SMFP. All 19 beds will be SCU beds which will be located in a wing of a proposed independent living facility.

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

The 2016 SMFP documents that there are currently a total of four facilities in Pender County with ACH beds; two freestanding ACH facilities and two combination facilities with nursing home beds and ACH beds. The table below provides a summary of the four facilities with ACH beds in Pender County.

**Pender County Facilities with ACH Beds**

<b>Facility Name</b>	<b>Facility Type</b>	<b>Location</b>	<b>Total # of ACH Beds</b>	<b># of SCU Beds</b>
Ashe Gardens	ACH	Burgaw	60	60
Huntington Health Care	NH	Burgaw	23	0
Pen-Du Rest Home	ACH	Wallace	19	0
Woodbury Wellness Center	NH	Hampstead	100	30

The applicant proposes to acquire and relocate the 19 ACH beds at Pen-Du Rest Home in Wallace to a new facility in Hampstead. All 19 beds will be SCU beds. According to the 2015 LRA for Woodbury Wellness Center (Woodbury), located in Hampstead, 30 of Woodbury’s 100 ACH beds are SCU beds. According to the 2016 LRA for Ashe Gardens, located in Burgaw, all 60 of Ashe Garden’s ACH beds are SCU beds. Woodbury and Ashe Gardens are the only facilities with SCU beds in Pender County. The applicant demonstrates that additional SCU beds are needed in the Hampstead area in Section III.1, page 19 and Section III.2, page 26.

In Section VI.5, page 37, 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 and X where the applicant discusses 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 applicant adequately demonstrates 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 applicant adequately demonstrates that it will provide quality services. The discussion regarding quality found in Criterion (20) is incorporated herein by reference.
- The applicant demonstrates that it 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 Section II.3, page 18, the applicant states that it does not own any other facilities in North Carolina. However, Ridge Care, the management company that will operate Hampstead, manages eight facilities with ACH beds in North Carolina. According to the files in the Adult Care Licensure Section, DHSR, no incidents occurred within the eighteen months immediately preceding submission of the application through the date of this decision, for which any sanctions or penalties related to quality of care were imposed by the State on any facility managed by Ridge Care. 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 eight facilities, the applicant provided 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.

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.

- (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.

- (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.
- (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 32, the applicant projects that the occupancy rate will be 95% for the fourth quarter of operating year two. The assumptions and methodology for the projections are provided in supplemental information and in Section IV.3, page 32. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.