

## ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: June 29, 2017

Findings Date: June 29, 2017

Project Analyst: Julie Halatek

Team Leader: Lisa Pittman

Project ID #: H-11340-17

Facility: Sandy Ridge Assisted Living

FID #: 960947

County: Montgomery

Applicant: Sandy Ridge Homes Holding Corp.

Project: Develop 16 special care unit beds, pursuant to an adjusted need determination, for a total of 120 adult care home beds, including 104 special care unit beds, upon project completion

### REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

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

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

C

The applicant, Sandy Ridge Homes Holding Corp. (SRHHC), proposes to develop 16 special care unit (SCU) beds, pursuant to an adjusted need determination, which will be added to the existing Sandy Ridge Assisted Living (Sandy Ridge) facility for a total of 120 adult care home (ACH) beds, including 104 SCU beds, upon project completion.

#### **Need Determination**

The 2017 State Medical Facilities Plan (SMFP) provides an Adult Care Home Bed Adjusted Need Determination for Montgomery County. In Table 11C in the 2017 SMFP, on page 251, the adjusted need determination is for 16 ACH beds. Table 11B in the 2017 SMFP shows Montgomery County as having a surplus of 60 ACH beds.

On page 251, the 2017 SFMP states the following:

*“In response to a petition from Montgomery County, the State Health Coordinating Council approved an adjusted need determination for 16 adult care home beds with a preference for CON applicants who are proposing the addition of special care unit beds.”*

### **Policies**

There are two policies in the 2017 SMFP which are applicable to this review: Policy GEN-3: Basic Principles and Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities.

**Policy GEN-3: Basic Principles** on page 33 of the 2017 SMFP is applicable to this review because it is in response to an adjusted need determination. Policy GEN-3 states:

*“A certificate of need applicant applying to develop or offer a new institutional health service for which there is a need determination in the North Carolina State Medical Facilities Plan shall demonstrate how the project will promote safety and quality in the delivery of health care services while promoting equitable access and maximizing healthcare value for resources expended. A certificate of need applicant shall document its plans for providing access to services for patients with limited financial resources and demonstrate the availability of capacity to provide these services. A certificate of need applicant shall also document how its projected volumes incorporate these concepts in meeting the need identified in the State Medical Facilities Plan as well as addressing the needs of all residents in the proposed service area.”*

### **Promote Safety and Quality**

The applicant describes how it believes the proposed project would promote safety and quality in Section I.12(b), pages 7-8; Section II.2, pages 11-14; Sections II.5 and II.6, pages 17-18; Section III.4, pages 35-36; Section V.4, pages 53-54; and referenced exhibits. The information provided by the applicant is reasonable and adequately supports the determination that the applicant’s proposal would promote safety and quality.

### **Promote Equitable Access**

The applicant describes how it believes the proposed project would promote equitable access in Section III.2(b), page 34, Section III.4, page 36, Section V.4, page 54, Section VI, pages 55-59, and referenced exhibits. The information provided by the applicant is reasonable and adequately supports the determination that the applicant’s proposal would promote equitable access.

### **Maximize Healthcare Value**

The applicant describes how it believes the proposed project would maximize healthcare value in Section III.4, pages 36-37, Section V.4, page 54, Sections XI.13 and XI.14, page 96, and

referenced exhibits. The information provided by the applicant is reasonable and adequately supports the determination that the applicant's proposal would maximize healthcare value.

The applicant adequately demonstrates how its projected volumes incorporate the concepts of quality, equitable access, and maximum value for resources expended in meeting the need for Montgomery County. Therefore, the application is consistent with Policy GEN-3.

**Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities** on 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, 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 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 for this project is greater than \$2 million and less than \$5 million. In Section III.4, page 37, and Sections XI.13 and XI.14, page 96, the applicant provides written statements describing the proposed project's plan to assure improved energy efficiency and water conservation, which includes features such as LED lighting, low-flow water fixtures, and gas tankless water heaters.

The applicant adequately demonstrates that the application includes a written statement describing the project's plan to assure improved energy efficiency and water conservation. Therefore, the application is consistent with Policy GEN-4.

### **Conclusion**

In summary, the applicant adequately demonstrates that the proposal is consistent with the adjusted need determination in the 2017 SMFP and is consistent with Policy GEN-3 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 applicant, SRHHC, proposes to develop 16 SCU beds, pursuant to an adjusted need determination, which will be added to the existing Sandy Ridge facility for a total of 120 ACH beds, including 104 SCU beds, upon project completion.

**Patient Origin**

On page 219, the 2017 SMFP states that an adult care home bed’s service area is “...*the adult care home bed planning area in which the bed is located. Ninety-eight counties in the state are separate adult care home planning areas. Two counties, Hyde and Tyrrell, are considered a combined service area.*” Thus, in this application, the service area is Montgomery County. Providers may serve residents of counties not included in their service area.

In Section III.7(a), page 40, the applicant provides the projected patient origin for the first full federal fiscal year (FFY) of operation following project completion, as shown in the table below.

<b>Sandy Ridge – Projected Patient Origin FFY 2019</b>	
<b>County</b>	<b>% of Total</b>
Montgomery	46.7%
Moore	16.3%
Randolph	13.3%
Richmond	8.9%
Stanly	5.9%
Anson	0.7%
Ashe	0.7%
Brunswick	0.7%
Cabarrus	0.7%
Chatham	0.7%
Cumberland	0.7%
Davidson	0.7%
Davie	0.7%
Guilford	0.7%
Rutherford	0.7%
Wake	0.7%
Wayne	0.7%
<b>Total</b>	<b>100.0%</b>

**Note:** Totals may not foot due to rounding.

The applicant provides the historical patient origin by county in Section III.6, page 39. In Section III.7(b), page 41, the applicant states:

*“Sandy Ridge projects patient origin will remain consistent with historical experience. The proposed project will not have a dramatic impact on Sandy Ridge’s historical patient origin. Sandy Ridge operates the second largest complement of ACH beds in North Carolina. Therefore, Sandy Ridge anticipates it will continue to draw future residents from a broad catchment area, consistent with its historical experience.”*

The applicant adequately identifies the population proposed to be served.

### **Analysis of Need**

In Sections III.1(a) and (b) of the application, the applicant describes the factors which it states supports the need for the proposed project, including:

- Sandy Ridge operates at capacity (93%+) and has had a waitlist for admission for several years in a row (pages 20-21).
- There is an unusually high percentage of in-migration patients due to a limited amount of SCU beds in adjacent counties (pages 21-25).
- The population aged 65+ years will continue to increase at a higher rate than NC overall (pages 25-28).
- The high use rate of ACH beds by patients aged 75-84 is consistent with the segment of the population most greatly affected by Alzheimer’s and dementia (pages 28-31).

The information provided by the applicant in the pages referenced above is reasonable and adequately supported.

### **Projected Utilization**

In Section IV.2, pages 46-48, the applicant provides projected utilization for the existing and proposed ACH and SCU beds through the first three FFYs of operation following completion of the project, which is summarized below.

<b>Projected Utilization – Sandy Ridge – OY 1 (FFY 2019)</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>
<b>FFY 2019</b>	<b>10/1/18 – 12/31/18</b>	<b>1/1/19 – 3/31/19</b>	<b>4/1/19 – 6/30/19</b>	<b>7/1/19 – 9/30/19</b>	
<b>ACH Beds</b>					
Patient Days	1,251	1,224	1,238	1,251	4,964
Occupancy Rate	85.0%	85.0%	85.0%	85.0%	85.0%
# of Beds	16	16	16	16	16
<b>SCU Beds</b>					
Patient Days	8,163	8,611	8,707	8,803	34,284
Occupancy Rate	85.3%	92.0%	92.0%	92.0%	90.3%
# of Beds	104	104	104	104	104
<b>Total Facility</b>					
Patient Days	9,414	9,835	9,944	10,054	39,248
Occupancy Rate	85.3%	91.1%	91.1%	91.1%	89.6%
# of Beds	120	120	120	120	120

<b>Projected Utilization – Sandy Ridge – OY 2 (FFY 2020)</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>
<b>FFY 2020</b>	<b>10/1/19 – 12/31/19</b>	<b>1/1/20 – 3/31/20</b>	<b>4/1/20 – 6/30/20</b>	<b>7/1/20 – 9/30/20</b>	
<b>ACH Beds</b>					
Patient Days	1,251	1,224	1,238	1,251	4,964
Occupancy Rate	85.0%	85.0%	85.0%	85.0%	85.0%
# of Beds	16	16	16	16	16
<b>SCU Beds</b>					
Patient Days	8,803	8,611	8,707	8,803	34,923
Occupancy Rate	92.0%	92.0%	92.0%	92.0%	92.0%
# of Beds	104	104	104	104	104
<b>Total Facility</b>					
Patient Days	10,054	9,835	9,944	10,054	39,887
Occupancy Rate	91.1%	91.1%	91.1%	91.1%	91.1%
# of Beds	120	120	120	120	120

<b>Projected Utilization – Sandy Ridge – OY 3 (FFY 2021)</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>
<b>FFY 2021</b>	<b>10/1/20 – 12/31/20</b>	<b>1/1/21 – 3/31/21</b>	<b>4/1/21 – 6/30/21</b>	<b>7/1/21 – 9/30/21</b>	
<b>ACH Beds</b>					
Patient Days	1,251	1,224	1,238	1,251	4,964
Occupancy Rate	85.0%	85.0%	85.0%	85.0%	85.0%
# of Beds	16	16	16	16	16
<b>SCU Beds</b>					
Patient Days	8,803	8,611	8,707	8,803	34,923
Occupancy Rate	92.0%	92.0%	92.0%	92.0%	92.0%
# of Beds	104	104	104	104	104
<b>Total Facility</b>					
Patient Days	10,054	9,835	9,944	10,054	39,887
Occupancy Rate	91.1%	91.1%	91.1%	91.1%	91.1%
# of Beds	120	120	120	120	120

As shown in the tables above, the applicant projects it will operate at an occupancy rate of 91.1 percent at the end of the second operating year (FFY 2020). This meets the minimum occupancy rate of 85 percent by the end of the second year following project completion as required by 10A NCAC 14C .1102(d).

In Section IV.2, pages 44-45, the applicant describes its assumptions and methodology for projecting utilization of the 104 SCU beds and 16 ACH beds, as summarized below.

#### ACH (non-SCU) Beds

The applicant states that its most recent nine months' utilization rate for the non-SCU beds at Sandy Ridge was 67.2 percent. The applicant states the utilization of non-SCU beds is impacted by a lack of private ACH beds at the facility, which leads to admission decisions based on gender, isolation status, and individual personalities. On page 44, the applicant states:

*“Sandy Ridge is presently undergoing a facility expansion project to add approximately 8,000 square feet. This expansion project will facilitate the provision of more private rooms, a medical provider room, and a large therapy space for PT and OT services. The expansion project is on schedule and expected to be completed within 90 days. Although the ongoing expansion project will not result in a net increase of Sandy Ridge's current ACH bed capacity, upon completion of the expansion project, Sandy Ridge will be equipped to admit a greater number of non-SCU residents and not be as restricted by semi-private rooms.”*

The applicant states that based on its historical experience, the non-SCU beds will achieve an occupancy rate of 85 percent by the end of the second operating year, with an average net fill-up rate of one resident per month. The applicant states that its operating experience shows this projection is achievable.

#### SCU Beds

The applicant states that it assumes utilization will match that of the most recent nine month average daily census of 83 patients (or 94 percent: 88 beds X 94% occupancy = 83 patients). The applicant also assumes that there will be an average net fill-up rate of one patient per week. The applicant states that it believes its projections are reasonable based on the facility's continuous waitlist along with the data cited in the Analysis of Need section above (see pages 20-31).

Projected utilization of the ACH (non-SCU) and SCU beds is based on reasonable and adequately supported assumptions regarding population growth and demand for services at Sandy Ridge.

#### Access

In Section VI.6, page 58, the applicant states its commitment to provide services to all patients who need the services regardless of their ability to pay, racial/ethnic origin, age, gender, physical or mental conditions, or other conditions that would classify them as underserved. In

Section VI.1, page 55, the applicant reports that 75.2 percent of ACH (non-SCU) bed patient days and 68.9 percent of SCU bed patient days were paid for with Special Assistance with Basic Medicaid between August 1, 2015 and July 31, 2016. In Section VI.2, page 56, the applicant projects that 75.2 percent of ACH (non-SCU) bed patient days and 68.9 percent of SCU bed patient days will be paid for with Special Assistance with Basic Medicaid in the second year of operation following completion of the project. The applicant states that it projected the future payor mix based on the current payor mix. The applicant adequately demonstrates the extent to which all residents, including underserved groups, will have access to the proposed services.

### **Conclusion**

In summary, the applicant adequately identifies the population to be served, demonstrates the need the population has for the project, and adequately demonstrates 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

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

CA

In Section III.2, pages 33-34, the applicant describes the alternatives it considered prior to submitting this application for the proposed project, which include:

- **Maintaining the Status Quo** – the applicant states that maintaining the status quo means the facility continues to operate above practical capacity, a waitlist will remain, and the need for additional capacity will go unmet. Therefore, this is not an effective alternative.
- **Develop the Proposed Beds in a New Facility** – the applicant states that the cost of land, construction, and necessary administrative and support space would make a new facility cost prohibitive. Therefore, this is not an effective alternative.

After considering the above alternatives, the applicant states that given the adjusted need determination of 16 new ACH beds for Montgomery County, along with a demonstrated need for additional SCU bed services in Montgomery County, the proposed project is 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 applicant adequately demonstrates that the proposal is the least costly or most effective alternative to meet the identified need. Therefore, the application is conforming to this criterion and approved subject to the following conditions:

1. **Sandy Ridge Home Holdings Corp. shall materially comply with all representations made in the certificate of need application.**
  2. **Sandy Ridge Home Holdings Corp. shall develop no more than 16 new adult care home beds for a total licensed bed complement of no more than 120 adult care home beds, including a 104-bed special care unit, upon completion of the project.**
  3. **Sandy Ridge Home Holdings Corp. shall provide care to recipients of State/County Special Assistance with Medicaid, commensurate with representations made in the application.**
  4. **Sandy Ridge Home Holdings Corp. 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, SRHHC, proposes to develop 16 SCU beds, pursuant to an adjusted need determination, which will be added to the existing Sandy Ridge facility for a total of 120 ACH beds, including 104 SCU beds, upon project completion.

**Capital and Working Capital Costs**

In Section VIII.1, pages 69-70, the applicant projects \$2,463,000 in capital costs to develop the proposed project, summarized as follows:

**Sandy Ridge**

Construction Contract	\$2,081,000
Site Preparation Costs	\$65,000
Equipment/Furniture/Landscaping	\$67,000
<u>Consultant Fees/Financing/Interest</u>	<u>\$250,000</u>
<b>Total</b>	<b>\$2,463,000</b>

In Sections IX.1 and IX.2, page 75, the applicant states that there are no projected start-up expenses or initial operating expenses because it is an existing facility that is already operational.

**Availability of Funds**

In Section VIII.3, page 71, the applicant states that the capital costs for the proposed project will be funded a commercial loan. Exhibit 9 contains a letter from the Vice President of First Bank, dated April 3, 2017, which states that it will provide SRHHC with a loan in the amount of the projected capital cost. The applicant adequately demonstrates that sufficient funds will be available for the capital needs of the project.

**Financial Feasibility**

In the pro forma financial statements (Form B), the applicant projects that operating revenue will exceed expenses in the first three full years of operation of the project, as shown in the table below.

<b>Sandy Ridge – Revenue/Expense Projections – OYs 1-3 (FFYs 2019-2021)</b>			
	<b>OY1 - FFY 2019</b>	<b>OY2 - FFY 2020</b>	<b>OY3 - FFY 2021</b>
Total Patient Days	39,248	39,887	39,887
Total Net Revenue	\$4,999,618	\$5,069,050	\$5,069,050
Average Net Revenue/Patient Day	\$127	\$127	\$127
Total Operating Expenses	\$4,532,545	\$4,546,000	\$4,539,179
<b>Net Income (Loss)</b>	<b>\$467,073</b>	<b>\$523,050</b>	<b>\$529,871</b>

The assumptions used by the applicant 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 found in Criterion (3) is incorporated herein by reference. 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, costs, and charges.

**Conclusion**

In summary, the applicant adequately demonstrates the financial feasibility of the proposal is based upon reasonable and adequately supported assumptions regarding projected utilization, 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, SRHHC, proposes to develop 16 SCU beds, pursuant to an adjusted need determination, which will be added to the existing Sandy Ridge facility for a total of 120 ACH beds, including 104 SCU beds, upon project completion.

On page 219, the 2017 SMFP states that an adult care home bed’s service area is “...the adult care home bed planning area in which the bed is located. Ninety-eight counties in the state are separate adult care home planning areas. Two counties, Hyde and Tyrrell, are considered a combined service area.” Thus, in this application, the service area is Montgomery County. Providers may serve residents of counties not included in their service area.

The 2017 SMFP provides an adjusted need determination for 16 additional ACH beds, with a preference for SCU beds, for the Montgomery County service area. Montgomery County currently has four providers of ACH bed services. The following table, reproduced in part from Table 11A on page 236 of the 2017 SMFP, shows the existing and approved ACH beds located in Montgomery County. The utilization figure is calculated from information submitted on days of care on each facility’s 2017 License Renewal Application (LRA).

<b>Inventory and Utilization of ACH Beds –Montgomery County</b>			
<b>Facility Name</b>	<b># of Beds</b>	<b>Days of Care</b>	<b>Utilization</b>
Autumn Care of Biscoe*	10	1,857	50.7%
Brookstone Haven of Star Assisted Living	54	10,005	50.6%
Poplar Springs Assisted Living	12	4,380	99.7%
Sandy Ridge Assisted Living	104	35,510	93.3%
<b>Totals</b>	<b>180</b>	<b>51,752</b>	<b>78.6%</b>

\*Denotes nursing home that also has ACH beds.

In Section III.1, page 32, the applicant states that Autumn Care of Biscoe’s low utilization may be due to a small ACH bed complement in a combination nursing facility. According to Autumn Care of Biscoe’s 2017 LRA, it has only private pay ACH beds. The applicant also states on page 32 that it believes Brookstone Haven of Star Assisted Living underwent renovations in recent years that may be the cause of the low utilization. A review of the 2015, 2016, and 2017 LRAs for Brookstone Haven of Star Assisted Living supports the conclusion that the facility’s utilization was previously limited but is now increasing:

<b>Brookstone Haven of Star Assisted Living Patient Population Increase</b>		
<b>Date</b>	<b>Patient Population</b>	<b>% Increase</b>
August 1, 2013	0	--
July 31, 2014	10	1,000%
July 31, 2015	20	100%
July 31, 2016	36	80%
<b>Three Year Average</b>		<b>393%</b>

In Section III.1, pages 32-33, the applicant states that it submitted a petition to the SHCC in 2016 for an adjusted need determination of 16 ACH beds, and states that the petition received

no opposing comments. The applicant states that the adjusted need determination and its high utilization and continuous waitlist supports the continued demand for ACH bed services in Montgomery County.

The applicant adequately demonstrates the need the population proposed to be served has for the 16 additional SCU beds, 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 applicant adequately demonstrates that the proposal would not result in an unnecessary duplication of existing or approved ACH bed services in Montgomery County. Therefore, the application is conforming to this criterion.

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

C

In Section VII.1, page 61, and Section VII.3, page 65, the applicant provides the current and proposed (FFY 2020) full-time equivalent (FTE) staffing for Sandy Ridge, as summarized in the table below.

<b>Current (February 2017) and Projected (FFY 2020) Staffing – Sandy Ridge</b>				
<b>Position</b>	<b>Current Staffing FTE Positions</b>		<b>Proposed Staffing FTE Positions</b>	
	<b>ACH Beds</b>	<b>SCU Beds</b>	<b>ACH Beds</b>	<b>SCU Beds</b>
Supervisor (RN)	0.15	0.85	0.15	0.85
Nurse (LPN)	0.30	1.70	0.30	1.70
Personal Care Aide	3.90	53.20	3.90	64.30
Food Service Supervisor	0.15	0.85	0.15	0.85
Cooks	0.30	1.70	0.30	1.70
Dietary Aides	1.50	8.70	1.50	9.50
Activity Director	0.15	0.85	0.15	0.85
Housekeeping Supervisor	0.15	0.85	0.15	0.85
Laundry Supervisor	0.15	0.85	0.15	0.85
Laundry Aides	1.10	6.00	1.10	7.00
Maintenance Supervisor	0.15	0.85	0.15	0.85
Janitors	0.00	0.00	0.15	0.85
Administrator	0.15	0.85	0.15	0.85
Admissions Coordinator	0.15	0.85	0.15	0.85
Bookkeeper	0.15	0.85	0.15	0.85
Receptionist	0.15	0.85	0.15	0.85
HR Director	0.15	0.85	0.15	0.85
<b>TOTAL</b>	<b>8.75</b>	<b>80.65</b>	<b>8.90</b>	<b>94.40</b>

In Section VII.2, page 62, and Section VII.4, page 66, the applicant provides its current and projected direct care staff hours and ratios. In Section VII.6, pages 67-68, the applicant describes its experience and process for recruiting and retaining staff. 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.4, page 17, the applicant states it currently has agreements in place to provide necessary ancillary and support services, and states it will continue provide the necessary ancillary and support services. Exhibit 6 of the application contains copies of contracts between the applicant and service providers of pharmacy, mental health, podiatry, optometry, radiology, medical equipment, and hospice services. Exhibit 12 contains letters of support from various medical professionals and medical system executives, along with letters of support from other members of the public. The applicants adequately demonstrate that necessary ancillary and support services are 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 add 16 new SCU beds to the existing Sandy Ridge facility. In Section XI.5, page 91, the applicant proposes to do this by both renovating existing space and adding an additional 14,043 square feet of new construction. The applicant states in Section XI.8, page 93, that as part of the project, some private rooms will become semi-private rooms. Exhibit 11 contains a cost estimate from an architect that estimates construction costs that are consistent with the project capital cost projections provided by the applicant in Section VIII.1, page 70 of the application. In Sections XI.13 and XI.14, page 96, the applicant describes the methods that will be used by the facility to maintain efficient energy operations and contain the costs of utilities. 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 for the proposed addition and renovations, 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 VI.1, page 55, the applicant provides the historical payor mix for Sandy Ridge, as shown in the table below.

<b>Historical Payor Mix (August 1, 2015 – July 31, 2016) – Sandy Ridge</b>		
<b>Payor Source</b>	<b>ACH Residents</b>	<b>SCU Residents</b>
Private Pay	24.8%	31.1%
Special Assistance w/Basic Medicaid	75.2%	68.9%
<b>Total</b>	<b>100.0%</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.

Percent of Population						
County	% 65+	% Female	% Racial & Ethnic Minority*	% Persons in Poverty**	% < Age 65 with a Disability	% < Age 65 without Health Insurance**
Montgomery	19%	51%	36%	21%	11%	23%
Statewide	15%	51%	36%	17%	10%	15%

Source: <http://www.census.gov/quickfacts/table>, 2014 Estimate as of December 22, 2015.

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

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

However, a direct comparison to the applicants' 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 it currently provides adequate access to medically underserved populations. Therefore, the application is conforming to this criterion.

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

C

Recipients of Hill-Burton funds were required to provide uncompensated care, community service, and access by minorities and handicapped persons. The applicant does not state that it has any requirements to fulfill with regard to Hill-Burton funds. In VI.5, page 58, the applicant states that no civil rights complaints have been filed against Sandy Ridge. Therefore, the application is conforming to this criterion.

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

C

In Section VI.2, page 56, the applicant provides the projected payor mix for Sandy Ridge during FFY 2020, as shown in the table below.

Projected Payor Mix (FFY 2020) – Sandy Ridge		
Payor Source	ACH Residents	SCU Residents
Private Pay	24.8%	31.1%
Special Assistance w/Basic Medicaid	75.2%	68.9%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

On page 56, the applicant states that it bases the projected payor mix on the current payor mix. The applicant adequately demonstrates that medically underserved populations will have access to the proposed 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.6, pages 58-59, the applicant describes the range of means by which a person will have access to Sandy Ridge's 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 52, the applicant states that Sandy Ridge has clinical affiliation agreements with Montgomery Community College, West Montgomery High School, and East Montgomery High School. Exhibit 7 contains copies of these clinical affiliation agreements. 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, SRHHC, proposes to develop 16 SCU beds, pursuant to an adjusted need determination, which will be added to the existing Sandy Ridge facility for a total of 120 ACH beds, including 104 SCU beds, upon project completion.



On page 219, the 2017 SMFP states that an adult care home bed's service area is "...the adult care home bed planning area in which the bed is located. Ninety-eight counties in the state are separate adult care home planning areas. Two counties, Hyde and Tyrrell, are considered a combined service area." Thus, in this application, the service area is Montgomery County. Providers may serve residents of counties not included in their service area.

The 2017 SMFP provides an adjusted need determination for 16 additional ACH beds, with a preference for SCU beds, for the Montgomery County service area. Montgomery County currently has four providers of ACH bed services. The following table shows the existing and approved ACH beds located in Montgomery County, per page 236 of the 2017 SMFP. The utilization figure is calculated from information submitted on days of care on each facility's 2017 License Renewal Application (LRA).

<b>Inventory and Utilization of ACH Beds –Montgomery County</b>			
<b>Facility Name</b>	<b># of Beds</b>	<b>Days of Care</b>	<b>Utilization</b>
Autumn Care of Biscoe*	10	1,857	50.7%
Brookstone Haven of Star Assisted Living	54	10,005	50.6%
Poplar Springs Assisted Living	12	4,380	99.7%
Sandy Ridge Assisted Living	104	35,510	93.3%
<b>Totals</b>	<b>180</b>	<b>51,752</b>	<b>78.6%</b>

\*Denotes nursing home that also has ACH beds.

In Section III.1, pages 32-33, the applicant states that it submitted a petition to the SHCC in 2016 for an adjusted need determination of 16 ACH beds, and states that the petition received no opposing comments. The applicant states that the adjusted need determination and its high utilization and continuous waitlist supports the continued demand for ACH bed services in Montgomery County.

In Section III.2, pages 35-37, the applicant discusses how the project will promote the cost-effectiveness, quality, and access to the proposed services. See also Sections II, III, V, VI, and VII 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 Criteria (1) and (20) are incorporated herein by reference.

- The applicant demonstrates that it will provide adequate access to medically underserved populations. The discussions regarding access found in Criteria (1), (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

According to the files in the Adult Care Licensure Section, DHSR, Sandy Ridge is not currently out of compliance with a CMS Condition of Participation, nor have any other 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 other facility owned and operated by SRHHC in North Carolina. After reviewing and considering information provided by the applicants and by the Adult Care Licensure Section and considering the quality of care provided at Sandy Ridge, the applicant provides 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 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- Sandy Ridge does not propose 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- Sandy Ridge does not propose to develop a new nursing facility or 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.*
- C- In Section III.1, page 20, the applicant states that the occupancy rate at Sandy Ridge, measured by days of care, was 93.2 percent, 93.5 percent, and 93.5 percent for FFY 2014, FFY 2015, and FFY 2016, respectively. The discussion regarding need found in Criterion (3) is incorporated herein by reference.
- (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 47, the applicant projects that the utilization in FFY 2020, the second operating year following project completion, is projected to be 91.1 percent. The applicant discusses its assumptions and methodologies for this projection in Section IV.2, pages 44-45. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.