

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: November 8, 2017

Findings Date: November 8, 2017

Project Analyst: Mike McKillip

Team Leader: Fatimah Wilson

Project ID #: J-11371-17

Facility: Mayview Assisted Living Center

FID #: 170322

County: Wake

Applicants: Mayview Assisted Living Center, LLC

Mayview Healthcare Properties, Inc.

Whitaker Glen, Inc., d/b/a The Oaks at Whitaker Glen

Project: Develop a new adult care home by acquiring and relocating 20 existing adult care home beds from Wellington Health and Rehabilitation Center

REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

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

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

C

The applicants, Mayview Assisted Living Center, LLC, Mayview Healthcare Properties, Inc. and Whitaker Glen, Inc., d/b/a The Oaks at Whitaker Glen [**Mayview ALC**] propose to acquire and relocate 20 existing adult care home (ACH) beds from Wellington Health and Rehabilitation Center, located at 1000 Tandall Place in Knightdale (Wake County), to a new facility, Mayview Assisted Living Center, to be developed at 615 East Whitaker Mill Road in Raleigh, on the campus of the Oaks at Whitaker Glen.

Table 11A of Chapter 11 of the 2017 State Medical Facilities Plan (SMFP) lists Wellington Health and Rehabilitation Center with 20 ACH beds in the inventory of Wake County ACH

beds. Therefore, following completion of the project, Wellington Health and Rehabilitation Center will no longer be licensed for any ACH beds, and Mayview ALC will be licensed for 20 ACH beds.

Need Determination

The proposed project does not involve the addition of any new health service facility beds, services or equipment for which there is a need determination in the 2017 SMFP. Therefore, there are no need determinations applicable to this review.

Policies

Policy LTC-2: Relocation of Adult Care Home Beds and Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities are applicable to this review.

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

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

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

Both Wellington Health and Rehabilitation Center and Mayview ALC are located in Wake County. The application is consistent with Policy LTC-2.

Policy GEN-4

Policy GEN-4 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 are 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 \$5 million. In Section III.4, page 60, the applicants describe the project's plan to assure improved energy efficiency and water conservation. The applicants adequately demonstrate 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 applicants adequately demonstrate that their proposal is consistent with Policy LTC-2: Relocation of Adult Care Home Beds and Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities. Therefore, the application is conforming to this criterion.

- (2) Repealed effective July 1, 1987.
- (3) The applicant shall identify the population to be served by the proposed project, and shall demonstrate the need that this population has for the services proposed, and the extent to which all residents of the area, and, in particular, low income persons, racial and ethnic minorities, women, handicapped persons, the elderly, and other underserved groups are likely to have access to the services proposed.

C

The applicants, Mayview Assisted Living Center, LLC, Mayview Healthcare Properties, Inc. and Whitaker Glen, Inc., d/b/a The Oaks at Whitaker Glen [**Mayview ALC**] propose to acquire and relocate 20 existing adult care home (ACH) beds from Wellington Health and Rehabilitation Center, located at 1000 Tandall Place in Knightdale (Wake County), to a new

facility, Mayview Assisted Living Center, to be developed at 615 East Whitaker Mill Road in Raleigh. The applicants propose to relocate the 20 existing ACH beds to a new, 20,700 square foot facility to be developed on a site adjacent to The Oaks at Whitaker Glen, which is a 139-bed nursing facility that is owned by one of the applicants. In Section I.12, the applicants state the parent company for all three applicants is United Health Services, Inc. Also, the applicants state PruittHealth, Inc., which is a separate, wholly-owned subsidiary of United Health Services, Inc., will provide management services to Mayview ALC.

Patient Origin

On page 219, the 2017 SMFP defines the service area for ACH beds as *“the adult care home bed planning area in which the bed is located. Ninety-eight counties in the state are separate adult care home planning areas. Two counties, Hyde and Tyrell, are considered a combined service area.”* Thus, the service area for this project consists of Wake County. Facilities may also serve residents of counties not included in their service area.

Mayview ALC will be a new facility, therefore it has no historical patient origin to report. The proposed facility location and the location where the beds are being relocated from are both in Wake County. In Section III.7, page 62, the applicants project that 100 percent of patients at Mayview ALC will originate from Wake County. On page 62, the applicants state,

“Most residents who enter an assisted living facility do so because they can no longer complete the necessary activities of daily living to live independently. However, when possible, these residents attempt to enter an assisted living facility close their home to maintain their established family, social, medical, religious, and other relationships. Mayview ALC will focus on Wake County residents living within a 45 minute or closer drive to the adult care home.”

The applicants adequately identified the population to be served.

Analysis of Need

In Section III.1, pages 38-34, the applicants describe the factors which they state support the need for the 20 ACH beds, as summarized below:

- Raleigh has the lowest of number of ACH beds per 1,000 population, and the second lowest ACH patient days of care per 1,000 population, of all of the Wake County municipalities (p. 40-41).
- Projected growth and aging of the Wake County population, particularly in the older age groups who are more likely to need assisted living services (p. 42).
- Increasing average life expectancies for the Wake County population (p. 43-44).
- The current lack of ACH facilities that are achieving high ratings for quality of care based on the North Carolina Division of Health Service Star Ratings system (p. 45).

In Section III.1, page 46, the applicants state,

“It is not unusual for the small number of beds located in skilled nursing facilities to be underutilized. The 20 adult care home beds located in Knightdale, the second smallest city in Wake County with an assisted living facility, have been underutilized for several years. However considering Raleigh’s low adult care home beds per 1,000 population ratio, the projected Raleigh population growth, and the fact that very few assisted living facilities operate within the beltline around Raleigh, the largest city in Wake County, it is reasonable for the applicants to identify a need for the 20 adult care home beds in Raleigh and to project near full utilization by the end of Year 1.”

In Section III.1(f), page 48, the applicants state,

“The development of the 20-bed Mayview ALC facility will have no impact on existing adult care home facilities or nursing home with adult care home beds in Wake County. ... After construction, the 20-bed Mayview ALC facility will be the smallest, non-skilled nursing facility based assisted living facility in Wake County. The 20 adult care home beds will make up 0.6 percent [20 / 3,164] of the total adult care home beds in Wake County or less than 1.0 percent of the licensed beds. ... Mayview ALC will focus on family members of residents of the Oaks at Whitaker Glen-Mayview skilled nursing facility who are in need of assisted living but [not] skilled nursing care, which occurs 15 to 20 times per year. Mayview ALC will also focus on residents who desire a smaller, more intimate facility, where residents and staff can develop caring relationships with each other.”

In Section III.3, page 57, the applicants state,

“The 2017 State Medical Facilities Plan identifies a 309 adult care home bed surplus in Wake County and no need determination for additional adult care home beds in Wake County; however, the applicants are filing this CON application to relocate existing adult care home beds in Wake County. This project will not increase the surplus. Instead, it will relocate beds to the largest city in Wake County, which has the lowest number of adult care home beds per 1,000 city population.”

The applicants adequately demonstrate the need to relocate 20 ACH beds from Wellington Health and Rehabilitation Center to Mayview ALC.

Projected Utilization

Mayview ALC will be a new facility, therefore it has no historical patient utilization to report. In Section IV.2, page 65, the applicants provide projected utilization for the first three operating years, as shown in the table below:

MAYVIEW ASSISTED LIVING CENTER PROJECTED UTILIZATION			
	1ST FULL YEAR FFY2022	2ND FULL YEAR FFY2023	3RD FULL YEAR FFY2024
Total Facility			
Patient Days	5,719	6,594	6,706
Occupancy Rate	78.3%	90.3%	91.9%
Number of Beds	20	20	20

As shown in the table above, the applicants project the 20 ACH beds will operate at 91.9% of capacity [(6,706 days / 365 days per year) / 20 beds = 0.919] in the third year of operation. In Section IV.2, page 66, the applicants state that they projected an average fill-up rate of one resident per week through the fill-up period. The applicants describes the assumptions as follows:

- *Fill up rate of one (1) resident per week.*
- *Residents have an average length of stay of 21 months or 91 weeks.*
- *Four week delay in new resident arrival after discharge, death, or relocation.*
- *One resident is Medicaid:*
 - *Arriving on Week 19 of Year 1*
 - *Left on Week 110 in Year 3*
 - *Arriving on Week 114 in Year 3*

Projected utilization is based on reasonable and adequately supported assumptions.

Access

In Exhibit 15 (PruittHealth’s “*Nondiscrimination Policy*”), the applicants state their 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.2, page 73, the applicants project that 5.5 percent of patient days will be provided to Medicaid patients and 94.5% of patient days will be provided to private pay patients in the second operating year (FFY2023). The applicants adequately demonstrate the extent to which all residents of the area, including underserved groups, are likely to have access to the proposed services.

Conclusion

In summary, the applicants adequately identify the population to be served, adequately demonstrate the need to relocate the 20 existing ACH beds within Wake County, and adequately demonstrate the extent to which all residents of the area, including underserved groups, are likely to have access to the proposed ACH services following relocation of the beds to Mayview ALC. Therefore, the application is conforming to this criterion.

- (3a) In the case of a reduction or elimination of a service, including the relocation of a facility or a service, the applicant shall demonstrate that the needs of the population presently served will

be met adequately by the proposed relocation or by alternative arrangements, and the effect of the reduction, elimination or relocation of the service on the ability of low income persons, racial and ethnic minorities, women, handicapped persons, and other underserved groups and the elderly to obtain needed health care.

C

The applicants, Mayview ALC, propose to relocate 20 existing ACH beds from Wellington Health and Rehabilitation Center, located in Knightdale (Wake County), to a new facility to be developed in Raleigh. The two facilities are approximately 9 miles and 15 minutes driving time from each other, according to Google Maps. Therefore, the beds will be available to the same Wake County population currently served following the proposed relocation.

In Section III.1, page 47, the applicants report that the existing 20 ACH beds at Wellington Health and Rehabilitation Center had average annual occupancy rate of 43.4% in FY2016. Exhibit 1 of the application contains a copy of the 2017 License Renewal Application for Nursing Homes which indicates that Wellington Health and Rehabilitation Center had a total patient census of seven patients in its 20-bed ACH unit as of September 30, 2016.

In Exhibit 15, the applicants provide a copy of PruittHealth's "*Nondiscrimination Policy*" which states the applicants do not "*discriminate on the basis of race, color, national origin, sex, age or disability.*" The applicants demonstrate that that the needs of the population presently served will be adequately met and that the proposal will not adversely affect the ability of underserved groups to obtain needed health care. Therefore, the application is conforming to this criterion.

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

CA

In Section III.2, pages 50-51, the applicants describe the following alternatives:

- Develop the facility elsewhere in Wake County – The applicants state this was not an effective alternative because a new location would be more expensive to develop and would not enable the applicants to take advantage of the existing services at The Oaks at Whitaker Glen-Mayview nursing facility.
- Develop services for younger male residents with disabilities - The applicants state this was not an effective alternative due to potential safety issues for staff and other residents, and because those residents are better treated at specialized facilities.
- Develop a facility with more or less than 20 ACH beds – The applicants state this was not an effective alternative because the lack of a need determination for additional ACH beds for Wake County precludes developing more beds, and an ACH facility with fewer than 20 beds is less financial feasible.

After considering that alternative, the applicants state the alternative represented in the application is the most effective alternative to meet the identified need.

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

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

- 1. Mayview Assisted Living Center, LLC, Mayview Healthcare Properties, Inc. and Whitaker Glen, Inc., d/b/a The Oaks at Whitaker Glen shall materially comply with all representations made in the certificate of need application.**
- 2. Mayview Assisted Living Center, LLC, Mayview Healthcare Properties, Inc. and Whitaker Glen, Inc., d/b/a The Oaks at Whitaker Glen shall relocate no more than 20 adult care home beds from Wellington Health and Rehabilitation Center to the Mayview Assisted Living Center.**
- 3. Mayview Assisted Living Center, LLC, Mayview Healthcare Properties, Inc. and Whitaker Glen, Inc., d/b/a The Oaks at Whitaker Glen 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, Mayview Assisted Living Center, LLC, Mayview Healthcare Properties, Inc. and Whitaker Glen, Inc., d/b/a The Oaks at Whitaker Glen shall not increase private pay charges more than 5% of the projected private pay charges provided in Section X of the application without first obtaining a determination from the Healthcare Planning and Certificate of Need Section that the proposed increase is in material compliance with the representations in the certificate of need application.**
- 5. Mayview Assisted Living Center, LLC, Mayview Healthcare Properties, Inc. and Whitaker Glen, Inc., d/b/a The Oaks at Whitaker Glen shall 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.**
- 6. No later than three months after the last day of each of the first three full years of operation following initiation of the services authorized by this certificate of need, Mayview Assisted Living Center, LLC, Mayview Healthcare Properties, Inc. and Whitaker Glen, Inc., d/b/a The Oaks at Whitaker Glen shall submit, on**

the form provided by the Healthcare Planning and Certificate of Need Section, an annual report containing the:

- a. **Payor mix for the services authorized in this certificate of need.**
 - b. **Utilization of the services authorized in this certificate of need.**
 - c. **Revenues and operating costs for the services authorized in this certificate of need.**
 - d. **Average gross revenue per unit of service.**
 - e. **Average net revenue per unit of service.**
 - f. **Average operating cost per unit of service.**
7. **Mayview Assisted Living Center, LLC, Mayview Healthcare Properties, Inc. and Whitaker Glen, Inc., d/b/a The Oaks at Whitaker Glen shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Agency in writing prior to issuance of the certificate of need.**
- (5) Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial feasibility of the proposal, based upon reasonable projections of the costs of and charges for providing health services by the person proposing the service.

C

The applicants, Mayview ALC, propose to relocate 20 existing ACH beds from Wellington Health and Rehabilitation Center, located in Knightdale (Wake County), to a new facility, Mayview Assisted Living Center, to be developed at 615 East Whitaker Mill Road in Raleigh. The applicants propose to relocate the 20 existing ACH beds to a new, 20,700 square foot facility to be developed on a site adjacent to The Oaks at Whitaker Glen, which is a 139-bed nursing facility that is owned by one of the applicants.

Capital and Working Capital Costs

In Section VIII.1, page 87, the applicant states the total capital cost for the proposed project is projected to be as follows:

Mayview Assisted Living Center Project Capital Cost

Cost Category	Projected Capital Cost
Site Preparation	\$708,700
Construction	\$3,430,500
Architect/Engineering Fees	\$321,000
Equipment/Furniture	\$578,925
Other (Fees, contingency, etc.)	\$755,869
TOTAL CAPITAL COST	\$5,794,994

Source: Section VIII.1, page 87 of the application.

In Section IX.1, page 92, the applicants state there will be \$31,536 in start-up expenses and \$100,000 in initial operating expenses, for a total working capital requirement of \$131,536.

Availability of Funds

In Section VIII.2, page 88, the applicants state \$4,346,245 in project capital costs will be funded by a commercial loan, \$742,880 will be funded by the cash reserves of Mayview Health Properties, Inc., and \$705,869 will be funded by the cash reserves of Whitaker Glen, Inc. In Section IX.5, page 95, the applicants state the working capital requirement of \$131,536 will be funded by the unrestricted cash of Mayview ALC. Exhibit 16 of the application contains a letter dated July 7, 2017 from a Senior Director of Synovus Bank documenting its intention to provide a \$4,346,245 loan to the applicants for the proposed project. Exhibit 17 contains a letter dated July 5, 2017 from the Chief Operating Officer of PruittHealth documenting its intention to provide \$131,536 from Whitaker Glen, Inc. to fund the working capital costs of the proposed project. Exhibit 17 also contains letters dated July 5, 2017 from the Chief Operating Officer of PruittHealth documenting its intention to provide \$742,880 from Mayview Health Properties, Inc. and \$705,869 Whitaker Glen, Inc. to fund the capital costs of the proposed project. Exhibit 17 also contains a copy of a PruittHealth bank statement from BB&T which indicates the applicants had cash and cash equivalents of \$2.2 million as of June 30, 2017. The applicants adequately demonstrate that sufficient funds will be available for the capital and working capital needs of the project.

Financial Feasibility

In Table X.4, page 100, the applicants project that the per diem reimbursement rate/charge will be \$203 for private pay patients in a private “studio” room, \$219 for private pay in a private room, and \$153 for Medicaid patients in a private “studio” room, in the first operating year (FFY2022).

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

Projected Revenue and Expenses for Mayview Assisted Living Center

	First Full FFY2022	Second Full FFY2023	Third Full FFY2024
Total Patient Days	5,719	6,594	6,706
Total Net Revenue	\$1,204,961	\$1,399,568	\$1,465,811
Average Net Revenue Per Patient Day	\$210.69	\$212.25	\$215.58
Total Operating Expenses	\$1,142,222	\$1,152,368	\$1,178,461
Average Operating Expense per Patient Day	\$199.72	\$1174.76	\$175.73
Net Income (Loss)	\$62,739	\$247,200	\$287,350

The assumptions used by the applicants in preparation of the pro forma financial statements are reasonable, including projected utilization, costs and charges. See Section 13 of the

application for the assumptions used regarding costs and charges. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference. The applicants adequately demonstrate sufficient funds for the operating needs of the proposal and that the financial feasibility of the proposal is based upon reasonable projections of costs and charges.

Conclusion

In summary, the applicants adequately demonstrate the financial feasibility of the project is based upon reasonable and adequately supported assumptions regarding projected utilization, revenues (charges) and operating costs. Therefore, the application is conforming to this criterion.

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

C

The applicants, Mayview ALC, propose to relocate 20 existing ACH beds from Wellington Health and Rehabilitation Center, located in Knightdale (Wake County), to a new facility, Mayview Assisted Living Center, to be developed at 615 East Whitaker Mill Road in Raleigh.

On page 219, the 2017 SMFP defines the service area for ACH beds as *“the adult care home bed planning area in which the bed is located. Ninety-eight counties in the state are separate adult care home planning areas. Two counties, Hyde and Tyrell, are considered a combined service area.”* Thus, the service area for this project consists of Wake County. Facilities may also serve residents of counties not included in their service area.

Table 11A of the 2017 SMFP indicates that there are currently a total of 50 facilities in Wake County with licensed ACH beds. The table below is a summary of those facilities in Wake County, from the 2017 SMFP, Chapter 11, Table 11A and Table 11B. There is a projected surplus of 309 ACH beds in 2020 for Wake County.

2017 ACH INVENTORY AND 2020 NEED PROJECTIONS FOR WAKE COUNTY	
# ACH Facilities	50
# Beds in ACH Facilities	2,929
# Beds in Nursing Facilities	235
Total Licensed Beds	3,164
# CON Approved Beds (License Pending)	149
Total # Available	3,313
Total # in Planning Inventory	3,286
Projected Bed Utilization Summary	2,977
Projected Bed Surplus (Deficit)	309

The applicants do not propose to develop new ACH beds, but rather to relocate 20 existing ACH beds, currently located at Wellington Health and Rehabilitation Center, to a new facility

in Raleigh. There will be no increase in the inventory of ACH beds or the number of ACH facilities in Wake County. The discussions regarding analysis of need, including projected utilization, access, and alternatives found in Criteria (3) and (4), respectively, are incorporated herein by reference. The applicants adequately demonstrate that the proposed project would not result in the unnecessary duplication of existing or approved ACH beds in Wake County. Consequently, the application is conforming to this criterion.

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

C

In Section VII.3, page 81, the applicants provide a table showing projected staffing for Mayview ALC in the second operating year (CY2023), as summarized in the table below.

Position	Proposed Staffing FTE Positions
Care Coordinator	1.0
Personal Care Aide	7.0
Food Service Supervisor	0.1
Cooks	1.1
Activity Director	1.0
Housekeeping Aides	2.0
Maintenance Supervisor	0.1
Administrator	0.1
TOTAL	12.4

Source: Table VII.3, page 81 of the application.

In Section VII.6, pages 83-85, the applicants describe their experience and process for recruiting and retaining staff. The applicants adequately demonstrate the availability of sufficient health manpower and management personnel to provide the proposed services. Therefore, the application is conforming to this criterion.

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

C

In Section II.4, pages 28-29, the applicants describe the ancillary and support services that will be provided by the facility or made available through agreements with other providers. The applicants adequately demonstrate 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 applicants, Mayview ALC, propose to acquire and relocate 20 existing ACH beds from Wellington Health and Rehabilitation Center, located at 1000 Tandall Place in Knightdale (Wake County), to a new facility, Mayview Assisted Living Center, to be developed at 615 East Whitaker Mill Road in Raleigh. The applicants propose to relocate the 20 existing ACH beds to a new, 20,700 square foot facility to be developed on a site adjacent to The Oaks at Whitaker Glen, which is a 139-bed nursing facility that is owned by one of the applicants. Exhibit 20 contains a certified cost estimate from an architect that estimates construction costs that are consistent with the project capital cost projections provided by the applicants in Section VIII.1, page 87 of the application. In Section XI.14, page 114, the applicants describe 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 applicants adequately demonstrate 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;

NA

Mayview ALC is not an existing facility, therefore there is no historical payor mix to report.

- (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

In Section VI., page 77, the applicants state that no civil rights access complaints have been filed against any PruittHealth facility in North Carolina.

- (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 73, the applicants provide the projected payor mix for ACH services at Mayview ALC for the second operating year (CY2023), as shown in the following table:

Payor Category	ACH Percent of Patient Days
Private Pay	94.5%
Medicaid	5.5%
Total	100.0%

As shown in the table above, the applicants project that 94.5% of total ACH patient days will be provided to private pay patients and 5.5% of total ACH patient days will be provided to Medicaid patients. The applicants describe the basis for their payor mix projection in Section IV.3 of the application, and in a response to a request for additional information provided by the applicants on November 6, 2017. In Exhibit 15, the applicants provide a copy of PruittHealth's "Nondiscrimination Policy" which states the applicants do not "discriminate on the basis of race, color, national origin, sex, age or disability." The applicants adequately demonstrated the extent to which the elderly and medically underserved groups will have access to the proposed adult care home 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, page 77, the applicants describe 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

Exhibit 12 contains a copies letters dated July 3, 2017 and addressed to Wake Technical Community College, Shaw University and Meredith College offering the facility as a training site for the colleges' health professional training programs. 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 applicants, Mayview ALC, propose to relocate 20 existing ACH beds from Wellington Health and Rehabilitation Center, located in Knightdale (Wake County), to a new facility, Mayview Assisted Living Center, to be developed at 615 East Whitaker Mill Road in Raleigh.

On page 219, the 2017 SMFP defines the service area for ACH beds as *“the adult care home bed planning area in which the bed is located. Ninety-eight counties in the state are separate adult care home planning areas. Two counties, Hyde and Tyrell, are considered a combined service area.”* Thus, the service area for this project consists of Wake County. Facilities may also serve residents of counties not included in their service area.

Table 11A of the 2017 SMFP indicates that there are currently a total of 50 facilities in Wake County with licensed ACH beds. The table below is a summary of those facilities in Wake County, from the 2017 SMFP, Chapter 11, Table 11A and Table 11B. There is a projected surplus of 309 ACH beds in 2020 for Wake County.

2017 ACH INVENTORY AND 2020 NEED PROJECTIONS FOR WAKE COUNTY	
# ACH Facilities	50
# Beds in ACH Facilities	2,929
# Beds in Nursing Facilities	235
Total Licensed Beds	3,164
# CON Approved Beds (License Pending)	149
Total # Available	3,313
Total # in Planning Inventory	3,286
Projected Bed Utilization Summary	2,977
Projected Bed Surplus (Deficit)	309

The applicants do not propose to develop new ACH beds, but rather to relocate 20 existing ACH beds, currently located at Wellington Health and Rehabilitation Center, to a new facility in Raleigh. There will be no increase in the inventory of ACH beds or the number of ACH facilities in Wake County.

In Section V.4, page 72, the applicants discuss how any enhanced competition in the service area will promote the cost-effectiveness, quality and access to the proposed services. See also Sections II, III, V, VI and VII where the applicants discuss the impact of the project on cost-effectiveness, quality and access to the proposed services

The information in the application is reasonable and credible and adequately demonstrates that any enhanced competition in the service area includes a positive impact on cost-effectiveness, quality and access to the proposed services. This determination is based on the information in the application and the following analysis:

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

NA

In Section I.12, page 12, the applicants state that PruittHealth does not own, manage or operate any adult care home facilities in North Carolina.

- (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 The Criteria and Standards for Nursing Facility or Adult Care Home Facility Services promulgated in 10A NCAC 14C .1100, as described 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- The applicants are not proposing to add nursing facility beds to an existing facility.

(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 applicants are not proposing to establish a new nursing facility or add nursing facility beds to an existing facility.

(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 applicants are 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, the applicants project the proposed 20-bed ACH facility will operate at an average occupancy rate of 90.3 percent in the second operating year. The applicants describe their assumptions and methodology for projecting utilization in Section III.1, pages 38-46, and Section IV.3, pages 66-70.