

## ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: October 27, 2017

Findings Date: October 27, 2017

Project Analyst: Mike McKillip

Team Leader: Fatimah Wilson

Project ID #: J-11379-17

Facility: The Cardinal at North Hills

FID #: 080413

County: Wake

Applicants: The Cardinal at North Hills Healthcare, LLC  
KSL Toledo Tenant, LLC

Project: Relocation of 10 unrestricted adult care home beds from Magnolia Glen to The Cardinal at North Hills for a total of 15 Policy NH-2 nursing care beds, 45 Policy LTC-1 adult care home beds, and 10 unrestricted adult care home 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 applicants, The Cardinal at North Hills Healthcare, LLC and KSL Toledo Tenant, LLC, propose to relocate 10 existing unrestricted adult care home (ACH) beds from Magnolia Glen, located at 5215 Creedmoor Road in Raleigh, to The Cardinal at North Hills, which is located at 4030 Cardinal at North Hills Street in Raleigh.

Table 11A of Chapter 11 of the 2017 State Medical Facilities Plan (SMFP) lists Magnolia Glen with 66 ACH beds in the inventory of Wake County ACH beds, and The Cardinal at North Hills is listed with 45 Policy LTC-1 ACH beds. Therefore, following completion of

the project, Magnolia Glen will be licensed for 56 ACH beds, and The Cardinal at North Hills will be licensed for 55 ACH beds. Forty-five of the ACH beds at The Cardinal at North Hills will continue to be subject to Policy LTC-1 and the 10 beds to be relocated from Magnolia Glen will be unrestricted.

### **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 is 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 Magnolia Glen and The Cardinal at North Hills are located in Wake County. The application is consistent with Policy LTC-2.

### **Conclusion**

In summary, the applicants adequately demonstrate that their proposal is consistent with Policy LTC-2: Relocation of Adult Care Home Beds. 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, The Cardinal at North Hills Healthcare, LLC and KSL Toledo Tenant, LLC, propose to relocate 10 existing unrestricted adult care home (ACH) beds from Magnolia Glen, located at 5215 Creedmoor Road in Raleigh, to The Cardinal at North Hills (CNH), which is located at 4030 Cardinal at North Hills Street in Raleigh. Therefore, following completion of the project, Magnolia Glen will be licensed for 56 ACH beds, and The Cardinal at North Hills will be licensed for 55 ACH beds. Forty-five of the ACH beds at The Cardinal at North Hills will continue to be subject to the conditions of Policy LTC-1, and the 10 beds to be relocated from Magnolia Glen will not be subject to those conditions. The applicants state that the 10 additional ACH beds can be accommodated at CNH by converting existing private rooms into semi-private rooms. Magnolia Glen is a 66-bed adult care home facility and The Cardinal at North Hills (CNH) is a continuing care retirement community (CCRC) with 165 independent living units, and a licensed nursing facility with 15 nursing care beds and 45 ACH beds. In Section I.8, page 3, the applicants state, “*CNH and Magnolia [Glen] are related entities with the same parent company, KSL Toledo Tenant, LLC (doing business as Kisco Senior Living or ‘Kisco’).*” In Section I.9, page 5, the applicants state management of CNH is contracted to Kisco Senior Living, LLC.

### **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.

In Section III.8, page 48, the applicants state that 100 percent of patients at CNH originate from Wake County. On page 49, the applicants state,

*“Note that CNH received its facility license on May 9, 2017, and is currently in its initial fill-up period. CNH existing licensed beds exclusively serve the healthcare needs of residents at the Cardinal at North Hills CCRC. Referrals to the SNF and ACH beds rely on the needs of The Cardinal at North Hills independent living residents. As such, patient origin for the SNF and ACH beds is exclusively Wake County.”*

In Section III.9, page 49, the applicants project that 100 percent of patients at CNH will originate from Wake County. On page 49, the applicants state,

*“The 10 ACH beds will to be relocated from Magnolia Glen will be available to the general public and will not serve CCRC residents. The patient origin for the relocated beds is based on the historical ACH bed patient origin at Magnolia Glen, Abbottswood, and Kisco’s experience operating senior living communities in Wake County.”*

The applicants adequately identified the population to be served.

### **Analysis of Need**

CNH currently operates 45 ACH beds, including an 18-bed special care (memory) unit. Following addition of the 10 beds to be relocated from Magnolia Glen, CNH will operate 55 ACH beds, including a 20-bed special care (memory). In Section III.1, pages 31-34, the applicants describe the need to relocate the 10 existing ACH beds from Magnolia Glen to CNH. The information provided by applicants is summarized below:

- The existing 66 ACH beds at Magnolia Glen are housed in double occupancy rooms. However, due to resident preference, many of the existing ACH semi-private (double occupancy) rooms are currently being used as private (single occupancy) rooms. Therefore, Magnolia Glen is unable to fully utilize its 66-bed capacity.
- There are currently many prospective assisted living residents that are on a waitlist for an assisted living residence. On page 32, the applicants state,

*“As of June 2017, Magnolia Glen has 13 residents who are on the official internal waitlist for private assisted living apartment. In other words, these are residents who currently living on the independent living side of the community and have paid a fee to be on the ACH waitlist. ... Magnolia Glen has three individuals who are on the official external waitlist for a private assisted living apartment. These individuals have paid a fee to be on the official external waitlist. In total, 16 individuals are on a waitlist for an assisted living apartment at Magnolia Glen.”*

- The proposed relocation will redistribute ACH beds within Wake County to better meet the needs of residents who require assisted living services. On pages 32-33, the applicants state,

*“CNH is a logical choice for the relocated ACH beds because it is located in North Raleigh, approximately four miles from Magnolia Glen. ... CNH has received several inquiries from the public about immediate placement in its assisted living residences. CNH is unable to accommodate these requests because, pursuant to Policy LTC-1, the existing ‘closed’ ACH beds are to be used exclusively to meet the needs of people with whom the facility has continuing care contracts who have lived in a non-nursing*

*or adult care unit of the CCRC for a period of at least 30 days. Thus, relocating the presently underutilized 10 ACH beds from Magnolia Glen to CNH offers an option for Wake County residents needing immediate assisted living services to access the CNH facility. Individuals on the Magnolia Glen assisted living waitlist will also have the opportunity to pursue placement in the ACH beds at CNH if they desire.”*

- The projected growth and aging of the Wake County population supports the need for assisted living services. See pages 34-38.

Because the applicants propose to relocate the ACH beds to The Cardinal at North Hills, which is a continuing care retirement community (CCRC), the proposed relocation will not have any impact on the surplus of ACH beds in Wake County identified in the 2017 SMFP. The applicants adequately demonstrate the need to relocate 10 ACH beds from Magnolia Glen to CNH.

Projected Utilization

In Section IV.1, page 50, the applicants state that The Cardinal at North Hills does not have historical utilization to report because it is a new facility that received its license on May 9, 2017, and is currently in its initial fill-up period. In Section IV.2, pages 53-54, the applicants provide projected utilization for the first two operating years, as shown in the table below:

<b>THE CARDINAL AT NORTH HILLS PROJECTED UTILIZATION</b>		
	<b>1<sup>ST</sup> FULL YEAR CY2018</b>	<b>2<sup>ND</sup> FULL YEAR CY2019</b>
<b>Nursing Care Beds</b>		
Patient Days	4,999	5,201
Occupancy Rate	91.3%	95.0%
Number of Beds	15	15
<b>Adult Care Home Beds (excluding Special Care Unit)</b>		
Patient Days	11,063	11,826
Occupancy Rate	86.6%	92.6%
Number of Beds	35	35
<b>Special Care Unit</b>		
Patient Days	6,845	6,935
Occupancy Rate	93.8%	95.0%
Number of Beds	20	20
<b>Total Adult Care Home Beds</b>		
Patient Days	17,908	18,761
Occupancy Rate	89.2%	93.5%
Number of Beds	55	55
<b>Total Facility</b>		
Patient Days	22,906	23,962
Occupancy Rate	89.7%	93.8%
Number of Beds	70	70

As shown in the table above, the applicants project the 55 ACH beds will operate at 93.5% of capacity [(18,761 days / 365 days per year) / 55 beds = 0.935] in the second year of operation. In Section IV.2, pages 50-52, the applicants describe their assumptions for projecting utilization as follows:

*“CNH projects ACH utilization for the eight relocated non-SCU ACH beds based on a fill up rate of one patient per month beginning mid-January 2018. This fill up rate is based on Kisco’s management experience and supported by the demand for assisted living residences at other Kisco senior living communities in Wake County (see discussion in Section III.1). Based on this schedule, the non-SCU ACH beds will achieve 92.5% occupancy by August 2018. ... CNH projects ACH utilization for the two relocated memory care SCU ACH beds based on a fill up rate of one patient beginning February 2018 and a second patient in March 2018. Thereafter, CNH projects the two additional memory care SCU beds to be fully utilized at 100%. This is based on Kisco’s management experience and supported by the demand for memory care assisted living residences at other Kisco senior living communities in Wake County (see discussion in Section III.1). ”*

Projected utilization is based on reasonable and adequately supported assumptions regarding continued growth.

### **Access**

In Section VI.5, page 64, 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 62, the applicants report that the existing ACH beds at CNH, which were developed pursuant to Policy LTC-1, were utilized 100 percent by private pay patients. In Section VI.3, page 63, the applicants project that 100 percent of ACH patient days will be provided to private pay patients, 10 percent of nursing care patient days will be provided to Medicare patients, and 90% of nursing care patient days will be provided to private pay patients, in the second operating year (CY2019). 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, demonstrate the need to relocate the 10 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 CNH. 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, The Cardinal at North Hills Healthcare, LLC and KSL Toledo Tenant, LLC, propose to relocate 10 existing ACH beds from Magnolia Glen, located at 5215 Creedmoor Road in Raleigh, to The Cardinal at North Hills (CNH), which is located at 4030 Cardinal at North Hills Street in Raleigh. Therefore, following completion of the project, Magnolia Glen will be licensed for 56 ACH beds, and The Cardinal at North Hills will be licensed for 55 ACH beds. Forty-five of the ACH beds at The Cardinal at North Hills will continue to be subject to Policy LTC-1, and the 10 beds to be relocated from Magnolia Glen will be unrestricted. The two facilities are approximately 4 miles and 10 minutes driving time from each other, according to Google Maps.

In Section III.1, page 40 the applicants provide the following table showing the historical utilization of the 66 existing ACH beds at Magnolia Glen:

**Historical ACH Bed Utilization at Magnolia Glen**

	<b>CY2014</b>	<b>CY2015</b>	<b>CY2016</b>
ACH Resident Days	19,875	17,885	17,885
Average Daily Census	54.6	49.0	49.0
Total ACH Beds	66	66	66
Occupancy Rate	82.5%	74.2%	74.2%

As shown in the table above, the applicants report that the existing 66-bed Magnolia Glen ACH facility had an average daily census of 49 residents and average occupancy rate of 74.2% in CY2016. As such, Magnolia Glen had an average of 17 unused ACH beds on any given day in CY2016 ( $66 - 49 = 17$ ). On page 32, the applicants state, “*Despite a licensed bed capacity of 66 beds, the practical capacity at Magnolia Glen is much lower because many of the double-occupancy rooms are utilized as private rooms.*” In Section III.6, page 30, the applicants state,

*“The proposed project does not involve a reduction of licensed ACH bed capacity in Wake County. No residents will be displaced at Magnolia Glen because the facility is unable to fully utilize its licensed capacity (see discussion in Section III.1). The relocation of 10 ACH beds from Magnolia Glen to CNH will have no negative impact on the ability of Wake County residents to obtain ACH services. Rather, the proposed project will expand Kisco’s ACH bed capacity in Wake County by relocating the underutilized ACH beds to another Kisco senior living community in North Raleigh approximately four miles away where they will be available to the community at large.”*

In Section VI.5, page 64, the applicants state, “*CNH offers equal treatment and access to its services for all people, without discrimination due to race, color, religion, gender, marital status, national origin, sexual orientation, ancestry, or disability.*” The applicants demonstrate 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 39-42, the applicants describe the following alternatives:

- Maintain the Status Quo – The applicants state this was not an effective alternative because the full bed capacity of Magnolia Glen cannot be effectively utilized due to the physical limitation of the facility.
- Expand the Magnolia Glen Facility - The applicants state this was not an effective alternative because it would require significant capital expenditures to undertake the construction of additional space.
- Relocate the 10 Beds to Another Kisco Facility – The applicants state this was not an effective alternative because the other facilities are either more geographically remote from the existing Magnolia Glen facility or the expansion of the facilities to accommodate additional ACH beds would be prohibitively expensive.

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. The Cardinal at North Hills Healthcare, LLC and KSL Toledo Tenant, LLC shall materially comply with all representations made in the certificate of need application.**
- 2. The Cardinal at North Hills Healthcare, LLC and KSL Toledo Tenant, LLC shall relocate no more than 10 unrestricted adult care home beds from Magnolia Glen to The Cardinal at North Hills, for a facility total of no more than 15 Policy NH-2 nursing care beds and 55 adult care home beds, which may include a 20-**



**bed special care unit, following completion of the project. Also, following completion of the project, 45 of the ACH beds at The Cardinal at North Hills will continue to be subject to the conditions of Policy LTC-1, and the 10 beds to be relocated from Magnolia Glen will not be subject to those conditions.**

- 3. Magnolia Glen will de-license 10 adult care home beds, and will be licensed for 56 adult care home beds following completion of the project.**
  - 4. The Cardinal at North Hills Healthcare, LLC and KSL Toledo Tenant, LLC shall provide care to recipients of State/County Special Assistance with Medicaid, commensurate with representations made in the application.**
  - 5. For the first two years of operation following completion of the project, The Cardinal at North Hills Healthcare, LLC and KSL Toledo Tenant, LLC 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.**
  - 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, The Cardinal at North Hills Healthcare, LLC and KSL Toledo Tenant, LLC shall submit, on the form provided by the Healthcare Planning and Certificate of Need Section, an annual report containing the:**
    - a. Payor mix for the services authorized in this certificate of need.**
    - b. Utilization of the services authorized in this certificate of need.**
    - c. Revenues and operating costs for the services authorized in this certificate of need.**
    - d. Average gross revenue per unit of service.**
    - e. Average net revenue per unit of service.**
    - f. Average operating cost per unit of service.**
  - 7. The Cardinal at North Hills Healthcare, LLC and KSL Toledo Tenant, LLC shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Agency in writing prior to issuance of the certificate of need.**
- (5) Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial feasibility of the proposal, based upon reasonable projections of the costs of and charges for providing health services by the person proposing the service.

The applicants, The Cardinal at North Hills Healthcare, LLC and KSL Toledo Tenant, LLC, propose to relocate 10 existing ACH beds from Magnolia Glen, located at 5215 Creedmoor Road in Raleigh, to The Cardinal at North Hills (CNH), which is located at 4030 Cardinal at North Hills Street in Raleigh. The applicants state the 10 additional ACH beds can be accommodated at CNH by converting existing private rooms into semi-private rooms, and that no construction or renovations will be required.

**Capital and Working Capital Costs**

In Section VIII.1, page 45, the applicants state the total capital cost for the proposed project is \$50,000 for consulting fees. In Section IX.1, page 83, the applicants state there will be no start-up or initial operating expenses associated with the proposed project.

**Availability of Funds**

In Section VIII.2, page 79, the applicants state the \$50,000 in project capital costs will be funded by the cash reserves of CNH. In Exhibit 11, the applicants provide a letter dated July 12, 2017, from the General Counsel for CNH documenting its intention to provide \$50,000 to finance the proposed project. Exhibit 11 also contains a copy of the applicants’ balance sheet that shows CNH had operating cash reserves of \$413,115 and total net assets of \$8.1 million as of May 2017. The applicants adequately demonstrate that sufficient funds will be available for the capital needs of the project.

**Financial Feasibility**

In Table X.4, page 90, the applicants project that the per diem reimbursement rate/charge will be \$171 for private pay patients in a private room and \$129 for private pay in a semi-private room. The applicants further project that the per diem reimbursement rate/charge will be \$197 for private pay patients in a private special care unit (SCU) room and \$148 for private pay patients for a semi-private SCU room.

The applicants provided pro forma financial statements for the first two 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 two operating years of the project for the entire CCRC facility, including independent living, nursing care and adult care home beds, as shown in the table below.

**Projected Revenue and Expenses for The Cardinal at North Hills**

	<b>First Full CY2018</b>	<b>Second Full CY2019</b>
Total Resident Days	82,596	101,616
Average Net Revenue Per Resident Day	\$195.61	\$186.46
Total Net Revenue	\$16,156,842	\$18,947,607
Total Operating Expenses	\$15,196,088	\$16,045,915
Average Operating Expense per Resident Day	\$183.98	\$157.91
<b>Net Income (Loss)</b>	<b>\$960,755</b>	<b>\$2,901,692</b>

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, The Cardinal at North Hills Healthcare, LLC and KSL Toledo Tenant, LLC, propose to relocate 10 existing adult care home (ACH) beds from Magnolia Glen, located at 5215 Creedmoor Road in Raleigh, to The Cardinal at North Hills (CNH), which is located at 4030 Cardinal at North Hills Street in Raleigh. Therefore, following completion of the project, Magnolia Glen will be licensed for 56 ACH beds, and The Cardinal at North Hills will be licensed for 55 ACH beds. Also, following completion of the project, 45 of the ACH beds at The Cardinal at North Hills will continue to be subject to the conditions of Policy LTC-1, and the 10 beds to be relocated from Magnolia Glen will not be subject to those conditions.

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.

<b>2017 ACH INVENTORY AND 2020 NEED PROJECTIONS FOR WAKE COUNTY</b>	
# 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 10 existing ACH beds, currently located at Magnolia Glen, to the nursing facility at The Cardinal at North Hills. There will be no increase in the inventory of ACH beds or the number of 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.2, pages 72-73, the applicants provide a table showing projected staffing for CNH in the second operating year (CY2019). In Section V.3, page 58, the applicants identify Kumar Nanjagowder, M.D. as the Medical Director for the facility. 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, page 25, 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.

NA

- (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 Exhibit 2, the applicants provide the historical payor mix information for Magnolia Glen for FY2016, as summarized below.

<b>Magnolia Glen</b>	
<b>Historical Patient Days as Percent of Total Utilization</b>	
<b>Payor Source</b>	<b>Percent of ACH Patient Days</b>
Private Pay	100%
<b>TOTAL</b>	<b>100%</b>

With regard The Cardinal at North Hills, Policy NH-2: Plan Exemption for Continuing Care Retirement Communities and Policy LTC-1: Plan Exemption for Continuing Care Retirement Communities – Adult Care Home Beds require the applicants to use the nursing care and ACH beds exclusively to meet the needs of people with whom the facility has continuing care contracts and who have lived at the CCRC for at least 30 days. The Policies also prohibit the applicants from participation in the Medicaid program and serving State-County Special Assistance recipients.

- (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

See Exhibit 5 for The Cardinal at North Hills resident agreement covering admissions, fees, obligations and rights. In Section VI.6, page 65, the applicants state that no civil rights access complaints have been filed against any Kisco Senior Living 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 37, the applicants provide the projected payor mix for ACH services at The Cardinal at North Hills for the second operating year (CY2019), as shown in the following table:

<b>Payor Category</b>	<b>ACH Percent of Patient Days (excluding SCU)</b>	<b>SCU Percent of Patient Days</b>	<b>Nursing Care Percent of Patient Days</b>
Private Pay	100.0%	100.0%	90.0%
Medicare	0.0%	0.0%	10.0%
Total	100.0%	100.0%	100.0%

As shown in the table above, the applicants project that 100% of total ACH patient days will be provided to private pay patients. In Section VI.3, page 62, the applicants state, *“The vast majority of SNF and ACH beds will be filled by CNH private-pay independent living residents who need to step up to skilled care or assisted living.”* In Section VI.5, page 64, the applicants state, *“CNH offers equal treatment and access to its services for all people, without discrimination due to race, color, religion, gender, marital status, national origin, sexual orientation, ancestry, 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.7, page 65, 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 9 contains a copy of a letter dated July 12, 2017 and addressed to Wake Technical Community College offering the facility as a training site for the college’s 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, The Cardinal at North Hills Healthcare, LLC and KSL Toledo Tenant, LLC, propose to relocate 10 existing adult care home (ACH) beds from Magnolia Glen, located at 5215 Creedmoor Road in Raleigh, to The Cardinal at North Hills (CNH), which is located at 4030 Cardinal at North Hills Street in Raleigh. Therefore, following completion of the project, Magnolia Glen will be licensed for 56 ACH beds, and The Cardinal at North Hills will be licensed for 55 ACH beds. Also, following completion of the project, 45 of the ACH beds at The Cardinal at North Hills will continue to be subject to the conditions of Policy LTC-1, and the 10 beds to be relocated from Magnolia Glen will not be subject to those conditions.

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.

<b>2017 ACH INVENTORY AND 2020 NEED PROJECTIONS FOR WAKE COUNTY</b>	
# 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 10 existing ACH beds, currently located at Magnolia Glen, to the nursing facility at CNH. There will be no increase in the inventory of ACH beds or the number of facilities in Wake County.

In Section VI.6, pages 59-60, 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.

## C

In Section I.12, page 8, the applicants state that Kisco Senior Living, which manages CNH, currently manages five adult care home facilities in North Carolina. According to the files in the Adult Care Licensure Section, DHSR, during the 18 months immediately preceding the submittal of this application through the date of the decision, none of the facilities has been found to be out of compliance with any Medicare conditions of participation. After reviewing and considering information provided by the applicant and by the Adult Care Licensure Section and considering the quality of care provided at all five facilities, the applicants provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

- (21) Repealed effective July 1, 1987.

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

NA

The Criteria and Standards for Nursing Facility or Adult Care Home Facility Services promulgated in 10A NCAC 14C .1100 are not applicable because the applicants do not propose to establish new adult care home beds.