

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: September 29, 2017

Findings Date: September 29, 2017

Project Analyst: Gloria Hale

Team Leader: Lisa Pittman

Project ID #: F-11370-17

Facility: Trinity Place

FID #: 923316

County: Stanly

Applicants: Lutheran Home-Albemarle, Inc. and Lutheran Home Albemarle Property, Inc.

Project: Acquire and relocate 17 ACH beds from Forrest Oakes Healthcare Center in Stanly County and construct an addition, for a total of 27 ACH and 76 NF beds at Trinity Place, and 60 NF beds and no ACH beds at Forrest Oakes

REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

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

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

C

The applicants, Lutheran Home-Albemarle, Inc. and Lutheran Home Albemarle Property, Inc. propose to acquire and relocate 17 existing adult care home (ACH) beds from Forrest Oaks (Forrest Oaks) Healthcare, a combination nursing facility (NF) located in Stanly County, to an existing combination NF, Trinity Place, also located in Stanly County, pursuant to Policy LTC-2 in the 2017 State Medical Facilities Plan (SMFP).

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

There are two policies in the 2017 SMFP that are applicable to this review: *Policy LTC-2: Relocation of Adult Care Home Beds* and *Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities*.

Policy LTC-2, page 26 of the 2017 SMFP, states:

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

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

Both facilities are located in Stanly County; therefore there would be no change in the inventory of licensed ACH beds in Stanly County with the proposed relocation of the beds. The application is consistent with *Policy LTC-2*.

Policy GEN-4, 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, the Certificate of Need Section shall impose a condition requiring the applicants 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 but less than \$5 million. In Section III.4, page 33, the applicants state that the addition will be constructed with energy efficient insulation, insulated windows, energy efficient heating and cooling equipment, and other systems to reduce energy consumption. In addition, the applicants state that water conservation will be achieved through the use of low flow toilets, new plumbing and on demand gas water heaters with a recirculation loop in order to reduce the potential for water leaks and ruptures. Therefore, the application is consistent with *Policy GEN-4* and is conforming to this criterion.

Conclusion

In summary, the applicants adequately demonstrate that their proposal is consistent with *Policy LTC-2* and *Policy GEN-4*. Therefore, the application is conforming to this criterion.

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

C

The applicants, Lutheran Home-Albemarle, Inc. and Lutheran Home Albemarle Property, Inc., propose to acquire and relocate 17 existing ACH beds from Forrest Oaks, a combination NF located in Stanly County, to an existing combination NF, Trinity Place, also located in Stanly County, pursuant to *Policy LTC-2* in the 2017 SMFP. The 17 ACH beds at Forrest Oaks will be relocated to an addition to be constructed onto Trinity Place. The 10 existing ACH beds at Trinity Place will also be relocated to the newly constructed addition. The space vacated by the relocated 10 existing ACH beds will be renovated to provide private NF rooms. Upon completion of the project, Trinity Place will have 76 NF beds and 27 ACH beds, and Forrest Oaks will have 60 NF beds and no ACH beds. Trinity Place will continue to be managed by Lutheran Home Albemarle, Inc. and LSA Management, Inc. Exhibit 3 contains a copy of the management contract.

Population to be Served

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

In Section III.8 and Section III.9, pages 35-36, the applicants provide the current and projected patient origin for Trinity Place, as shown in the following tables:

**Trinity Place
 Current and Projected Patient Origin
 NF Beds**

County	Current % of Total NF Admissions June 2017	Projected % of Total NF Admissions October 1, 2018 – September 30, 2019
Stanly	89%	89%
Montgomery	5%	5%
Davidson	1%	1%
Forsyth	1%	1%
Cabarrus	1%	1%
Rowan	1%	1%
Cleveland	1%	1%
Spartanburg, SC	1%	1%
Total	100%	100%

**Trinity Place
Current and Projected Patient Origin
ACH Beds**

County	Current % of Total ACH Admissions June 2017	Projected % of Total ACH Admissions October 1, 2018 – September 30, 2019
Stanly	90%	90%
Davidson	10%	10%
Total	100%	100%

In Section III.9, page 36, the applicants provide their assumption for the projected patient origin, stating it is based on historical admissions data over the past year.

The applicants adequately identify the population to be served.

Analysis of Need

In Section III.1, pages 27-28, the applicants describe the need to relocate the 17 existing Forrest Oaks ACH beds to Trinity Place, summarized as follows:

- By 2019 Stanly County will have a deficit of 19 ACH beds. The 17 ACH beds at Forrest Oaks are not being fully utilized because the owner wants to transfer or decertify them. Therefore, the relocation of the beds to Trinity Place would serve a need for ACH beds in the county.
- Constructing an addition for the 17 ACH beds to be relocated and the existing 10 beds at Trinity Place would provide a private room option for residents who currently only have a semi-private room option. The facility has an unmet need for private ACH rooms which are often requested.
- The project would allow the 10 existing beds at Trinity Place to be moved out of the center of the NF building to an addition where there would be more of an ACH environment, appropriate to the level of services provided.
- Due to high occupancy of the facility's 10 ACH beds, ACH level of care needed for residents completing rehabilitation in an NF bed is often unavailable. Additional beds and some private rooms would address this need.

Projected Utilization

The applicants provide historical utilization for Trinity Place in Section IV.1, page 38, as follows:

**Trinity Place
 Historical NF and ACH Resident Days of Care
 October 2016 through June 2017**

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Total NF										
Patient Days	2,125	2,227	2,231	2,314	2,022	2,291	2,168	2,248	2,115	19,741
# of Beds	76	76	76	76	76	76	76	76	76	76
Occupancy Rate	90.2%	97.7%	94.7%	98.2%	95.0%	97.2%	95.1%	95.4%	92.8%	95.1%
Total ACH										
Patient Days	292	291	309	275	265	291	290	283	299	2,595
# of Beds	10	10	10	10	10	10	10	10	10	10
Occupancy Rate	94.2%	97.0%	99.7%	88.7%	94.6%	93.9%	96.6%	91.3%	99.7%	95.1%
Total Facility										
Patient Days	2,417	2,518	2,540	2,589	2,287	2,582	2,458	2,531	2,414	22,336
# of Beds	86	86	86	86	86	86	86	86	86	86
Occupancy Rate	90.7%	97.6%	95.3%	97.1%	95.0%	96.8%	95.3%	94.9%	93.6%	95.1%

As the table above shows, Trinity Place is currently operating at 95.1% capacity.

In Section IV.2, page 41, the applicants provide projected utilization for operating year two (OY2), October 1, 2019 through September 30, 2020, summarized as follows:

**Trinity Place
 Projected Resident Days of Care
 OY2, October 1, 2019 through September 30, 2020**

	1st Quarter 10/1/19 – 12/31/19	2nd Quarter 1/1/20 – 3/31/20	3rd Quarter 4/1/20 – 6/30/20	4th Quarter 7/1/20 – 9/30/20	Total
Total NF					
Patient Days	6,667	6,532	6,605	6,677	26,492
# of Beds	76	76	76	76	76
Occupancy Rate	95.5%	95.5%	95.5%	95.5%	95.5%
Total ACH					
Patient Days	2,392	2,340	2,366	2,392	9,490
# of Beds	27	27	27	27	27
Occupancy Rate	96.3%	96.3%	96.3%	96.3%	96.3%
Total Facility					
Patient Days	9,069	8,872	8,971	9,069	35,982
# of Beds	103	103	103	103	103
Occupancy Rate	95.7%	95.7%	95.7%	95.7%	95.7%

As shown above, for the second operating year following completion of the proposed project, the applicants project that the 27 ACH beds will operate at 96.3% of capacity (9,490/365/27 = 0.963 or 96.3%) during each quarter.

The applicants provide their assumptions and methodology in Section IV.1, page 39, stating that the facility has a waitlist of two to five individuals for ACH beds at all times and, in addition, has at least one person per month seeking to be discharged from an NF rehabilitation bed to an ACH bed. The applicants state, on page 39, that they conservatively expect nine of their 10 current ACH residents to transfer to the beds in the proposed addition during the first week of October 2018 and then, through December 2018, expect a fill up rate of one resident per week. The applicants further state, on page 39, that the fill up rate will slow to two residents per month in January and February of 2019 after exhausting the wait list, slow further with a fill up rate of one resident in March 2019, and conclude with a stabilized occupancy of 26 beds. Therefore, the applicants’ projected utilization is based on reasonable and adequately supported assumptions.

Access

The applicants state, in supplemental information,

“LSC [Lutheran Services Carolinas] serves all people who are determined to qualify for services, regardless of age, race, color, national origin, disability, religion, gender, sex, genetics, or status covered as a veteran.

*...LSC will continue to provide services to all of the named underserved groups
...”*

A copy of the applicants' Nondiscrimination Policy is provided in supplemental information.

Moreover, in Section VI.3, page 50, the applicants state that 40% of Trinity Place's ACH patient days for the second operating year will be paid by Special Assistance – Basic Medicaid and that 63% of NF patient days will be paid by Medicaid for the second operating year. Therefore, the applicants adequately demonstrate the extent to which all residents of the area, including underserved groups, are likely to have access to the services.

Conclusion

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

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

NA

The applicants provide a copy of a letter, in supplemental information, from the Vice President of Licensing and Certification, Forrest Oakes Healthcare, LLC, which states that there are no residents in ACH beds at Forrest Oakes and that the facility is no longer accepting admissions for ACH beds.

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

CA

In Section III.2, pages 29-30, the applicants describe two alternatives to the proposed project that were considered, summarized as follows:

- 1) Maintain the Status Quo – the applicants state that this alternative would not allow Trinity Place to serve more people in Stanly County, would not allow the facility to have more private rooms, and would not address the needs of those on the facility’s wait list. Therefore, this was not the most effective alternative to meet the need.
- 2) Construct a new facility for the ACH beds – the applicants state that they considered relocating their existing 10 ACH beds and the proposed 17 ACH beds to a new facility, however this alternative was rejected because it would have necessitated purchasing additional land and constructing a new building. Therefore, this was not the most effective alternative.

The applicants state that the existing 10 ACH beds will no longer be located in the middle of the facility surrounded by higher acuity residents and the addition will allow more private rooms to be created. Moreover, the applicants state that the proposed project will *“allow the applicants to provide services to more residents in the community in a setting that is more of a truly assisted living level of care environment.”*

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

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

1. **Lutheran Home-Albemarle, Inc. and Lutheran Home Albemarle Property, Inc. shall materially comply with all representations made in the certificate of need application and any supplemental responses. In the event that representations conflict, Lutheran Home-Albemarle, Inc. and Lutheran Home Albemarle Property, Inc. shall materially comply with the last made representation.**
2. **Lutheran Home-Albemarle, Inc. and Lutheran Home Albemarle Property, Inc. shall relocate 17 adult care home beds from Forrest Oaks Healthcare Center to Trinity Place, pursuant to Policy LTC-2, for no more than 27 adult care home beds at Trinity Place upon project completion.**

3. **Lutheran Home-Albemarle, Inc. and Lutheran Home Albemarle Property, Inc. 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, Lutheran Home-Albemarle, Inc. and Lutheran Home Albemarle Property, Inc. shall not increase private pay charges more than 5% of the projected private pay charges provided in Section IX of the application without first obtaining a determination from the Healthcare Planning and Certificate of Need Section that the proposed increase is in material compliance with the representations in the certificate of need application.**
 5. **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, Lutheran Home-Albemarle, Inc. and Lutheran Home Albemarle Property, Inc. 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.**
 6. **Lutheran Home-Albemarle, Inc. and Lutheran Home Albemarle Property, Inc. 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, Lutheran Home-Albemarle, Inc. and Lutheran Home Albemarle Property, Inc., propose to acquire and relocate 17 existing ACH beds from Forrest Oaks, a combination NF located in Stanly County, to an existing combination NF, Trinity Place, also located in Stanly County, pursuant to *Policy LTC-2* in the 2017 SMFP. The 17 ACH beds at Forrest Oaks will be relocated to an addition to be constructed onto Trinity Place.

Capital and Working Capital Costs

In Section VIII.1, page 61, the applicants project the total capital cost of the proposed project will be \$2,554,560, including:

Costs	Total Costs
Site	\$ 310,000
Construction	\$ 2,134,560
Architect & Engineering Fees	\$ 110,000
Total Capital Costs	\$ 2,554,560

*The applicants state, in supplemental information, that furniture costs for the project will be covered in the facility's operating budget.

The applicants state, in Section IX.1 and Section IX.2, page 65, respectively, that they will not have start-up costs or initial operating costs since Trinity Place is an existing facility.

Availability of Funds

In Section VIII.2, page 62, and Exhibit 26, the applicants document that they intend to fund the project through accumulated reserves in the amount of \$1,400,000 from the LSA Foundation and through an existing line of credit from Lutheran Home Albemarle Property in the amount of \$1,154,560.

In Exhibit 26, the applicants provide a letter dated July 13, 2017 from the Chief Financial Officer/Treasurer of Lutheran Services for the Aging and affiliate Lutheran Home Albemarle Property, Inc. stating that these organizations are committed to using funds from a \$4,000,000 line of credit to fund the balance of the project after accumulated reserves. The applicants adequately demonstrate the availability of sufficient funds for the capital needs of the project.

Exhibit 27 contains a copy of Lutheran Services for the Aging, Inc. and Lutheran Family Services in the Carolinas and Affiliates' (Lutheran Services) consolidated financial statements for the years ended September 30, 2016 and September 30, 2015. The balance sheet indicates that as of September 30, 2016, Lutheran Services had cash and cash equivalents of \$10,598,742, total assets of \$169,787,245 and total net assets of \$62,852,753 (total assets – total liabilities). The applicant adequately demonstrates the availability of sufficient funds for the capital needs of the project.

Financial Feasibility

In the pro forma financial statements for Trinity Place, Form B, the applicant projects that revenues for the entire facility will exceed operating expenses in each of the first three operating years of the project, as shown in the table below:

Trinity Place

ACH Beds	OY1 (10/01/18 – 9/30/19)	OY2 (10/01/19 – 9/30/2020)	OY3 (10/01/20 – 9/30/21)
Projected # of Patient Days	8,510	9,490	9,490
Projected Average Charge (Gross Patient Revenue / Projected # of Patient Days)	\$ 125	\$ 129	\$ 129
Gross Patient Revenue	\$ 1,062,841	\$ 1,225,885	\$ 1,225,885
Deductions from Gross Patient Revenue	\$ 0	\$ 0	\$ 0
Other Revenue	\$ 0	\$ 0	\$ 0
Total Net Revenue	\$ 0	\$ 0	\$ 0
Total Expenses	\$ 1,194,364	\$ 1,212,738	\$ 1,212,738
Net Income	\$ (131,523)	\$ 13,147	\$ 13,147
NF Beds			
Projected # of Patient Days	26,492	26,492	26,492
Projected Average Charge (Gross Patient Revenue / Projected # of Patient Days)*	\$ 256	\$ 256	\$ 256
Gross Patient Revenue	\$ 6,773,611	\$ 6,782,104	\$ 6,782,104
Deductions from Gross Patient Revenue	\$ 0	\$ 0	\$ 0
Other Revenue	\$ 0	\$ 0	\$ 0
Total Net Revenue	\$ 0	\$ 0	\$ 0
Total Expenses	\$ 6,546,211	\$ 6,546,551	\$ 6,546,551
Net Income	\$ 227,400	\$ 235,553	\$ 235,553
Total Licensed Beds (NF and ACH)			
Projected # of Patient Days	35,002	35,982	35,982
Gross Patient Revenue	\$ 7,836,453	\$ 8,007,989	\$ 8,007,989
Deductions from Gross Patient Revenue	\$ 0	\$ 0	\$ 0
Other Revenue	\$ 0	\$ 0	\$ 0
Total Net Revenue	\$ 0	\$ 0	\$ 0
Total Expenses	\$ 7,740,575	\$ 7,759,289	\$ 7,759,289
Net Income	\$ 95,877	\$ 248,700	\$ 248,700

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

The assumptions used by the applicants in preparation of the pro forma financial statements are reasonable, including projected utilization, costs and charges. See the pro formas section of the application, pages 91 – 108, for the assumptions regarding costs and charges. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference. The applicant adequately demonstrates 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 applicants shall demonstrate that the proposed project will not result in unnecessary duplication of existing or approved health service capabilities or facilities.

C

The applicants, Lutheran Home-Albemarle, Inc. and Lutheran Home Albemarle Property, Inc., propose to acquire and relocate 17 existing ACH beds from Forrest Oaks, a combination NF located in Stanly County, to an existing combination NF, Trinity Place, also located in Stanly County, pursuant to *Policy LTC-2* in the 2017 SMFP.

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

The table below summarizes information from Table 11A, pages 241-242, and Table 11B, page 249, from the 2017 SMFP.

**2017 SMFP ACH Inventory
& 2020 Need Projections
Stanly County**

# Facilities	7
# ACH Facilities with ACH Beds	3
# Nursing Homes with ACH Beds	4
# Hospitals with ACH Beds	0
Total Licensed Beds	184
# CON Approved Beds	0
Total # Beds Available	184
Total # Beds in Planning Inventory	184
Projected Bed Deficit 2020	-15

As shown above, there are four existing, combination NFs with ACH beds and three freestanding ACH facilities in Stanly County for a total of 184 licensed ACH beds. There is a deficit of 15 ACH beds projected for 2020. However, the applicants are proposing to relocate the 17 ACH beds at Forrest Oakes in Albemarle to Trinity Place in Albemarle. Therefore, there will be no change in the total inventory of ACH beds.

The applicant states in Section III.1, pages 27-28, that the owner of the 17 ACH beds at Forrest Oakes wants to decertify or transfer the facility's ACH beds and that Trinity Place has full occupancy of its existing 10 ACH beds, maintains a wait list for the ACH beds, and cannot currently accommodate the demand for private rooms.

The applicants adequately demonstrate the need the population proposed to be served has for the 17 ACH beds to be relocated from Forrest Oakes, and adequately demonstrate 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 applicants adequately demonstrate that the proposal would not result in an unnecessary duplication of existing or approved ACH beds in Stanly County. Therefore, the application is conforming to this criterion.

- (7) The applicants 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 53, the applicants provide the current number of full-time equivalent (FTE) positions for Trinity Place. In Section VII.3, page 57, the applicants provide the projected number of FTE positions for Trinity Place in OY2 of the project upon completion, summarized as follows:

**Trinity Place
 Current and Projected Staffing**

Staff Positions	Current Number of FTEs	Number of FTEs to be Added	Projected Number of FTEs, OY2 (10/1/19 – 9/30/20)
Routine Services			
Nursing Administrator	3.0	0.0	3.0
Nursing Clerical	2.0	0.0	2.0
Registered Nurse	5.0	0.0	5.0
Licensed Practical Nurse	13.5	0.0	13.5
Medical Technician	0.0	2.8	2.8
Certified Nursing Assistant*	36.1	6.5	42.6
Medical Records	3.1	0.0	3.1
Dietary	14.1	2.0	16.1
Activity Services	2.0	0.8	2.8
Housekeeping/Laundry	12.7	2.6	15.3
Operations and Maintenance	2.0	0.0	2.0
Administration/General	7.3	0.0	7.3
Total Positions	100.8	14.7	115.5

*The applicants state, on page 57, that they will have 42.6 FTE Personal Care Assistant (PCA) positions providing care at the facility in OY2. However, in supplemental information provided by the applicants, they state that they will not have PCA positions, rather, they will have 42.6 Certified Nursing Assistant positions.

As shown in the table above, the applicants propose to increase staffing at Trinity Place by 14.7 FTE positions. The applicants propose a facility total of 63.9 FTE direct care positions, including Registered Nurses (5.0 FTEs), Licensed Practical Nurses (13.5 FTE), Medical Technicians (2.8 FTEs) and Certified Nursing Assistants (42.6 FTEs). The project proposes to add a new position of Medical Technician (2.6 FTEs) and additional Certified Nursing Assistants (6.5 FTEs). In addition, in Exhibit 20, the applicants provide a copy of an agreement with ECP North Carolina, PA, a medical group practice, to provide Medical Director services to the facility. The applicants include Medical Director consulting hours in current and projected staffing tables on pages 53 and 57 of the application, respectively. Adequate costs for health manpower and management positions are budgeted in the applicants' pro forma financial statements.

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

- (8) The applicant shall demonstrate that the provider of the proposed services will make available, or otherwise make arrangements for, the provision of the necessary ancillary

and support services. The applicant shall also demonstrate that the proposed service will be coordinated with the existing health care system.

C

In Section II, pages 17-24, the applicants describe the ancillary and support services that will be provided by the facility or made available through agreements with other providers including dietary, physician, therapy and pharmaceutical services. Exhibit 9 contains copies of agreements with providers of ancillary and support services. Exhibit 21 contains copies of agreements with attending physicians. In addition, the applicants provide a copy of a transfer agreement with Stanly Memorial Hospital in Exhibit 18, and copies of letters of support from Stanly County Department of Social Services and physicians in the community in Exhibits 14 and 19, respectively.

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 applicants 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 applicants 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, Lutheran Home-Albemarle, Inc. and Lutheran Home Albemarle Property, Inc., propose to acquire and relocate 17 existing ACH beds from Forrest Oaks, a combination NF located in Stanly County, to an existing combination NF, Trinity Place, also located in Stanly County, pursuant to Policy LTC-2 in the 2017 SMFP. The applicants propose to renovate 1,398 square feet of the existing facility and construct a 41,755 square foot addition for a total facility size of 54,796 square feet. In Section VIII.1, page 61, the applicants state that the capital cost of the proposed project will be \$2,554,560.

Exhibit 32 contains a copy of a letter from a licensed architect that estimates that the total project development costs, including site development and architectural fees, will be \$2,554,560 which corresponds to the project cost projections provided by the applicants in Section VIII.1, page 61. Line drawings of the facility, including the 27-bed addition, are provided in Exhibit 31. In Section III.4, page 33 and Section XI.14, page 86, the applicants describe the methods that will be used by the facility to maintain energy efficient operations and conserve water. The discussion regarding costs and charges found in Criterion (5) is incorporated herein by reference. The applicants adequately demonstrate that the cost, design and means of construction represent the most reasonable alternative, and that the construction 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.2, page 49, the applicants provide the patient days by payor for both NF and ACH beds for the most recent operating year, Federal Fiscal Year (FFY) 2016, for Trinity Place, summarized as follows:

**Trinity Place
Percent Patient Days by Payor
FFY2016**

Payor Category	NF Percent of Patient Days	ACH Percent of Patient Days
Private Pay	12.9%	36.9%
Special Assistance – Basic Medicaid	63.7%	63.1%
Hospice	3.8%	N/A
Medicare	17.2%	N/A
Commercial Insurance	2.4%	N/A
Total	100.0%	100.0%

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 applicants’ service area.

Percent of Population						
County	% 65+	% Female	% Racial and Ethnic Minority*	% Persons in Poverty**	% < Age 65 with a Disability	% < Age 65 without Health Insurance**
	2016 Estimate	2016 Estimate	2016 Estimate	2015 Estimate	2011-2015	2015 Estimate
Stanly	18%	50%	19%	17%	13%	13%
Statewide	16%	51%	37%	16%	10%	13%

<http://www.census.gov/quickfacts/table> Latest Data 7/1/16 as of 8/22/17

*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., V2016) refers to the final year of the series (2010 thru 2016). 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 applicants adequately demonstrate that they currently provide 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 applicants;

C

In Section VI.6, page 51, the applicants state that no civil rights access complaints have been filed against Lutheran Home – Albemarle, Inc. 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 applicants' proposed services and the extent to which each of these groups is expected to utilize the proposed services; and

C

In Section VI.3, page 50, the applicants project the payor mix for Trinity Place's second operating year, summarized as follows:

**Trinity Place Projected Payor Mix
OY2 (October 1, 2019 – September 30, 2020)**

Payor Category	NF Percent of Patient Days	ACH Percent of Patient Days
Private Pay	12.0%	60.0%
Special Assistance – Basic Medicaid	63.0%	40.0%
Hospice	4.0%	N/A
Medicare	19.0%	N/A
Commercial Insurance	2.0%	N/A
Total	100.0%	100.0%

As shown in the table above, the applicants project that 40% of Trinity Place's ACH patient days will be covered by Special Assistance-Basic Medicaid. The applicants provide their assumptions for the payor mix for OY2 in supplemental information, stating, "For the past six months, the breakdown for payer sources is 58% private pay and 42% county assistance for semi-private rooms." In addition, the applicants state in supplemental information that they have received many inquiries during the past year for private rooms for ACH beds which would necessarily be private pay. Further, the applicants state that Trinity Place currently has no private rooms for ACH beds and with the addition of 13 planned private rooms for ACH beds, they expect the percentage of private pay ACH patient days to increase.

The applicants further state, in Section VII.5, page 50,

“Should a resident spend down their funds, they will be allowed to remain in the facility as a resident as long as they timely complete and receive approval for special assistance funding.”

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

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

C

In Section VII.7, page 51, the applicants state that Lutheran Home – Albemarle, Inc. has developed longstanding relationships within the healthcare community and that it anticipates receiving referrals from Carolinas Healthcare System, Novant Health, local physicians’ offices, local senior services facilities, and others. In addition, the applicants provide copies of three attending physician agreements in Exhibit 21. The attending physician agreements state, *“...any licensed physician in the service area may admit and care for patients.”*

The applicants adequately demonstrate that the facility will offer a range of means by which patients will have access to the proposed services. Therefore, the application is conforming to this criterion.

- 14) The applicants 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 46, the applicants state that they allow training programs for health professionals at Trinity Place. Exhibit 16 contains copies of agreements with Montgomery Community College (MCC) and Stanly Community College (SCC) for providing clinical training for nursing students at facilities owned by Lutheran Home Albemarle, Inc. In addition, Exhibit 17 contains copies of letters to MCC and SCC offering Trinity Place as a clinical training site for the colleges’ practical nursing programs’ students.

The information provided is reasonable and adequately supports a determination that the application is conforming to this criterion.

- (15) Repealed effective July 1, 1987.
 - (16) Repealed effective July 1, 1987.
 - (17) Repealed effective July 1, 1987.
 - (18) Repealed effective July 1, 1987.
- (18a) The applicants 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 applicants shall demonstrate that its application is for a service on which competition will not have a favorable impact.

C

The applicants, Lutheran Home-Albemarle, Inc. and Lutheran Home Albemarle Property, Inc., propose to acquire and relocate 17 existing ACH beds from Forrest Oaks, a combination NF located in Stanly County, to an existing combination NF, Trinity Place, also located in Stanly County, pursuant to Policy LTC-2 in the 2017 SMFP. The 17 ACH beds at Forrest Oaks will be relocated to an addition to be constructed onto Trinity Place.

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

The 2017 SMFP documents that there are currently a total of seven facilities in Stanly County with ACH beds; three freestanding ACH facilities and four combination facilities with NF beds and ACH beds. The table below summarizes information from Table 11A, pages 241-242, and Table 11B, page 249, from the 2017 SMFP.

**2017 SMFP ACH Inventory
& 2020 Need Projections
Stanly County**

# Facilities	7
# ACH Facilities with ACH Beds	3
# Nursing Homes with ACH Beds	4
# Hospitals with ACH Beds	0
Total Licensed Beds	184
# CON Approved	0
Total # Beds Available	184
Total # Beds in Planning Inventory	184
Projected Bed Deficit 2020	-15

As shown above, there are seven facilities with ACH beds in Stanly County with a total of 184 licensed ACH beds. The proposed project will relocate all 17 of Forrest Oakes' ACH beds to Trinity Place, therefore upon project completion there will be one less facility with ACH beds in Stanly County but the inventory of licensed ACH beds will remain the same. In supplemental information, the applicants provide documentation from Forrest Oakes that the 17 ACH beds are not occupied and that the facility has ceased taking admissions for the ACH beds in anticipation of the relocation of the beds to Trinity Place and subsequent delicensure of the ACH beds at Forrest Oakes. According to the license renewal application for Forrest Oakes for FFY 2016, October 1, 2015 through September 30, 2016, the occupancy rate was 46.2%. Therefore, based on the applicants' projected utilization, Trinity Place anticipates a much higher occupancy rate and thus, will utilize the 17 relocated ACH beds more effectively, addressing some of the need identified by the bed deficit in Stanly County.

In Section II.5, pages 24-25, the applicants state that Trinity Place will provide oversight by an experienced administrator, will employ a licensed nurse to assure quality care, provide personal care staffing above the minimum required, and has developed comprehensive monitoring tools to address all operational aspects of adult care services.

See also Sections II, III, IV, V, VI and XI where the applicants discuss the impact of the project on cost-effectiveness, quality and access to the proposed services.

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

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

- The applicants adequately demonstrate that they will provide quality services. The discussion regarding quality found in Criterion (20) is incorporated herein by reference.
- The applicants demonstrate that they will provide adequate access to medically underserved populations. The discussions regarding access found in Criteria (3) and (13) are incorporated herein by reference.

Therefore, the application is conforming to this criterion.

- (19) Repealed effective July 1, 1987.
- (20) An applicant already involved in the provision of health services shall provide evidence that quality care has been provided in the past.

C

In Section I.12, page 11, the applicants state that Lutheran Services for the Aging, Inc., the parent company of the applicants, currently owns seven nursing facilities in North Carolina. According to the files in the Nursing Home Licensure Section, DHSR, one incident occurred at one of the facilities within the 18 months immediately preceding the submission of the application through the date of the decision related to quality of care. As of the date of this decision, the problems had been corrected. After reviewing and considering information provided by the applicants and by the Nursing Home Licensure Section, and considering the quality of care provided at all seven 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.

C

The application is conforming with all applicable Criteria and Standards for Nursing Facility or Adult Care Home Services promulgated in 10A NCAC 14C .1100. The specific criteria are discussed below.

SECTION .1100 - CRITERIA AND STANDARDS FOR NURSING FACILITY SERVICES or ADULT CARE HOME SERVICES

10A NCAC 14C .1102 PERFORMANCE STANDARDS

- (a) *An applicant proposing to add nursing facility beds to an existing facility, except an applicant proposing to transfer existing certified nursing facility beds from a State Psychiatric Hospital to a community facility, shall not be approved unless the average occupancy, over the nine months immediately preceding the submittal of the application, of the total number of licensed nursing facility beds within the facility in which the new beds are to be operated was at least 90 percent.*
- NA- The applicants are not proposing to add nursing facility beds.
- (b) *An applicant proposing to establish a new nursing facility or add nursing facility beds to an existing facility, except an applicant proposing to transfer existing certified nursing facility beds from a State Psychiatric Hospital to a community facility, shall not be approved unless occupancy is projected to be at least 90 percent for the total number of nursing facility beds proposed to be operated, no later than two years following the completion of the proposed project. All assumptions, including the specific methodologies by which occupancies are projected, shall be clearly stated.*
- NA- The applicants are not proposing to add nursing facility beds.
- (c) *An applicant proposing to add adult care home beds to an existing facility shall not be approved unless the average occupancy, over the nine months immediately preceding the submittal of the application, of the total number of licensed adult care home beds within the facility in which the new beds are to be operated was at least 85 percent.*
- C- In Section IV.1, page 38, the applicants provide historical utilization of the ACH beds at Trinity Place from October 2016 through June 2017 which was 95.1% [94.9%].
- (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 41, the applicants project that the occupancy rate for the facility's ACH beds will be 96.3% at the end of operating year two. The assumptions and methodology for the projections are provided in Section IV.2, page 39. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.