

## ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: March 23, 2018

Findings Date: March 23, 2018

Project Analyst: Bernetta Thorne-Williams

Assistant Chief: Lisa Pittman

Project ID #: E-11429-17

Facility: Grace Village

FID #: 170469

County: Caldwell

Applicants: Spartan Holdings, LLC  
Grace Village, Inc.

Project: Develop a new adult care home by relocating 60 existing adult care home beds from Carolina Oaks Enhanced Care Center

### REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

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

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

C

The applicants, Spartan Holdings, LLC and Grace Village, Inc. d/b/a Grace Village propose to relocate 60 existing adult care home (ACH) beds from Carolina Oakes Enhanced Care Center, located at 229 Wilson Street NW in Lenoir (Caldwell County), to a new facility, Grace Village, to be developed on New Farm Road, near the intersection of River Bend Drive, in Granite Falls (Caldwell County).

Table 11A of Chapter 11 of the 2017 State Medical Facilities Plan (SMFP) lists Carolina Oaks Enhanced Care Center with 60 ACH beds in the inventory of Caldwell County ACH beds. Therefore, following completion of the proposed project, Carolina Oaks Enhanced Care

Center will no longer be licensed for any ACH beds, and Grace Village will be licensed for 60 ACH beds.

### **Need Determination**

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

### **Policies**

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

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

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

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

Both Carolina Oaks Enhanced Care Center and Grace Village are located in Caldwell County. Therefore, application is consistent with Policy LTC-2.

#### **Policy GEN-4**

Policy GEN-4 states:

*“Any person proposing a capital expenditure greater than \$2 million to develop, replace, renovate or add to a health service facility pursuant to G.S. 131E-178 shall include in its certificate of need application a written statement describing the project’s plan to assure improved energy efficiency and water conservation.*

*In approving a certificate of need proposing an expenditure greater than \$5 million to develop, replace, renovate or add to a health service facility pursuant to G.S. 131E-178, Certificate of Need shall impose a condition requiring the applicant to develop and implement an Energy Efficiency and Sustainability Plan for the project that conforms to or exceeds energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes. The plan must be consistent with the applicant's representation in the written statement as described in paragraph one of Policy GEN-4.*

*Any person awarded a certificate of need for a project or an exemption from review pursuant to G.S. 131E-184 are required to submit a plan of energy efficiency and water conservation that conforms to the rules, codes and standards implemented by the Construction Section of the Division of Health Service Regulation. The plan must be consistent with the applicant's representation in the written statement as described in paragraph one of Policy GEN-4. The plan shall not adversely affect patient or resident health, safety or infection control."*

The proposed capital expenditure for this project is greater than \$5 million. In Section X.8, pages 41-42, the applicants describe the project's plan to assure improved energy efficiency and water conservation. Exhibit 13 contains a letter dated October 11, 2017 from the architect stating its firm would "assist the owner in developing a comprehensive water and energy conservation plan which complies with all applicable laws and regulations." The applicants adequately demonstrate that the application includes a written statement describing the project's plan to assure improved energy efficiency and water conservation. Therefore, the application is consistent with Policy GEN-4.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Supplemental information
- Remarks made at the public hearing
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion because the applicants demonstrate conformity with Policy LTC-2 and Policy GEN-4.

- (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, Spartan Holdings, LLC and Grace Village, Inc. d/b/a Grace Village propose to relocate 60 existing ACH beds from Carolina Oakes Enhanced Care Center in Lenoir to a new facility, Grace Village in Granite Falls. Both facilities are located in Caldwell County.

**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 Caldwell County. Facilities may also serve residents of counties not included in their service area.

Grace Village will be a new facility, therefore it has no historical patient origin to report. The proposed location and the location where the beds are being relocated from are both in Caldwell County. In Section III.7, page 23, the applicant provides the projected patient origin for Grace Village, as illustrated below.

**Grace Village Projected Patient Origin**

<b>County</b>	<b>% of Total Patient Origin</b>
Caldwell	90.0%
Catawba	6.0%
Burke	3.0%
Alexander	1.0%
Total	100.0%

On page 22, the applicants state,

*“Relocating the 60 bed capacity formerly associated with the closed Carolina Oaks facility to a very easily accessible location (just off US Highway 321, a major thoroughfare which goes through the center of Caldwell County and connects the county’s population concentrations), will greatly improve the ability of Caldwell County seniors to access high quality ACH services within Caldwell County. This is especially important because according to WPCOG, [Western Piedmont Council of Governments] 43.6% of Caldwell County’s 65+ population have a disability.”*

The applicants adequately identified the population to be served.

**Analysis of Need**

In Section II, pages 15-16, the applicants provide a brief history of the conditions that led to the closing of Carolina Oakes Enhanced Care Center in June 2017.

In Section III.1, pages 19-21, the applicants describe the factors which they state support the need for the 60 ACH beds, as summarized below:

- No new ACH beds have been added to Caldwell County in the past eleven or more years despite growth in its aging population (page 19).
- Granite Falls is the only ZIP Code area in Caldwell County which is growing in total population, and also has the fastest growing seniors population ages 65+ to 75+ (page 19).
- The closure of Carolina Oakes Enhanced Care Center reduced the ACH bed availability in Caldwell County by 17.2 percent (page 20).
- Strong community support for the relocation and reopening of the 60 ACH beds (Exhibit 8).

In Section III.6(c), page 22, the applicants state,

*“Since before 2007, Caldwell County has had 349 licensed ACH beds. Since 2007 (population year 2011), Caldwell County’s projected 65+ population has increased by 31%, or 3909 persons, while the number of ACH beds available has stayed the same(except for Carolina Oaks closure). (Please see Attachment 6, SMFP 2008 – 2017).”*

In Section II, page 16, the applicants state,

*“Granite Falls has a growing total population, and a seniors [sic] population which is growing more rapidly than other population centers in Caldwell County.”*

As shown in the table below, from 2017 to 2022 the population of Granite Falls is projected to grow by 1.6 percent with its 65+ population projected to increase by 16.6 percent. The population of Caldwell County, as a whole, is only projected to increase by 0.7% during the period with an increase of 14.4 percent in its 65+ population.

**Caldwell County’s Projected Population Growth 2017-2022**

Location	2017 Population	2022 Population	Difference	% of
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	<b>Estimates</b>	<b>Projects</b>		<b>Difference</b>
Granite Falls	19,802	20,119	317	1.6%
Hudson	12,314	12,440	130	1.1%
Lenoir	46,224	46,342	118	0.3%
Caldwell County	81,405	81,995	590	0.7%

Source: Applicant’s Application Exhibit 4, pages 92-103

**Caldwell County’s Projected Population Growth 65+ 2017-2022**

<b>Location</b>	<b>65+ 2017 Pop. Estimates</b>	<b>65+ 2022 Pop. Projects</b>	<b>Diff.</b>	<b>% of Diff.</b>
Granite Falls	3,458	4,033	575	16.6%
Hudson	2,296	2,639	343	14.9%
Lenoir	9,263	10,477	1,214	13.1%
Caldwell Co.	15,613	17,859	2,246	14.4%

Source: Applicant’s Application Exhibit 4, pages 92-103

In Section III.1, page 19, the applicants state,

*“Relocating existing ACH capacity in Lenoir, to Granite Falls, represents good health planning practice in that existing but under-used or un-used capacity in Lenoir can be relocated to an area of need in Granite Falls. This will improve access to ACH beds in the southern part of Caldwell County, which is growing demographically [sic].”*

The applicants adequately demonstrate the need to relocate 60 existing ACH beds from Carolina Oakes Enhanced Care Center in Lenoir to Grace Village in Granite Falls.

*Projected Utilization*

Grace Village is a new facility, therefore it has no historical patient utilization to report. In Section IV.2, pages 24-25 and Attachment 16, the applicants provide projected utilization, by quarter, for the first two operating years, as summarized in the table below:

<b>GRACE VILLAGE PROJECTED UTILIZATION</b>		
	<b>1<sup>st</sup> Full Year FFY2021</b>	<b>2<sup>nd</sup> Full Year FFY2022</b>
Patient Days	13,028	21,323
Occupancy Rate	59.5%	97.4%
Number of Beds	60	60

As shown in the table above, the applicants project the 60 ACH beds will operate at 97.4% of capacity  $[(21,323 \text{ days} / 365 \text{ days per year}) / 60 \text{ beds} = 0.9736]$  in the second year of operation. In Section IV.3, page 25, the applicants provide their assumptions and methodologies used to project utilization. The applicants state that their assumptions are based on *“anticipated pent-up demand in the market”* and that fill-up projections follow a

pattern set at Terrace Ridge Assisted Living. The applicants further state on page 25, that the “*pent-up*” demand is largely driven by the temporary loss of the 60 beds at Carolina Oakes Enhanced Care Center which ceased to operate in June 2017. The applicants describe the assumptions as follows:

- *Average ten patients per day for the first month.*
- *Average 4.5 net move-ins per month until full.*
- *Full sustained occupancy (96.7%) is achieved near the end of the first operating year.*

Projected utilization is based on reasonable and adequately supported assumptions.

### **Access**

Exhibit 15 contains a sample resident admission agreement from Journey’s Assisted Living which includes a “*Civil Rights Statement*” which indicates its willingness to comply with Title VI of the Civil Rights Act (page 2 of the sample agreement). Title VI of the Civil Rights Act prohibits discrimination on the basis of race, color and national origin. In supplemental information received February 2, 2018, the applicants provide a copy of a Notice of Nondiscrimination which states, “*Grace Village ... does not exclude people or treat them differently because of race, color, national origin, age, disability, or sex*”.

In Section VI, page 29, the applicants state, “*It is the goal of Grace Village to be the provider of choice for all payor sources.*” On page 29, the applicants state Grace Village projects to serve on average approximately 20 county assistance patients per day. The applicants further state on page 29, that by OY2, 7,300 of its projected 21,323 patient days will be for patients that receive state/county assistance with Medicaid. Therefore, the applicants project that 34.2 percent  $[7,300/21,323=0.3423]$  of its patients will days will be provided to Medicaid patients and 65.8% of patient days will be provided to private pay patients in the second operating year (FFY2022). 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**

The Agency reviewed the:

- Application
- Exhibits to the application
- Supplemental information
- Remarks made at the public hearing
- Information publicly available during the review and used by the Agency.

Based on that review, the Agency concludes that the application is conforming to this criterion for the following reasons:

- The applicants adequately identify the population to be served.

- The applicants adequately explain why the population to be served needs the services proposed in this application.
- Projected utilization is reasonable and adequately supported.
- The applicants project the extent to which all residents, including underserved groups, will have access to the proposed services (payor mix) and adequately supports its assumptions.

- (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 propose to relocate 60 existing ACH beds from Carolina Oakes Enhanced Care Center to Grace Village. The applicants do not project the reduction or elimination of services from Carolina Oakes Enhanced Care Center because that facility was closed in June 2017 prior to the applicants' acquisition of the facility. Therefore, Criterion (3a) is not applicable to this review.

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

CA

In Section III.3, pages 20-21 and supplemental information, the applicants describe the alternatives considered, as discussed below:

- Maintain the Status Quo - The applicants considered not replacing the 60-beds in whole or in part. However, allowing those beds to remain unused was not considered to be in the best interest of the growing senior population of Caldwell County.
- Develop a smaller facility - The applicants state building a facility with a smaller capacity would not be an effective alternative because the facility could not be built and operated efficiently.
- Reuse of the existing building - The applicants state the capital cost to restore the existing 120 year old building would be cost prohibitive. Therefore, this was not considered to be an effective alternative.

The applicants adequately demonstrate that the alternative proposed in this application is the most effective alternative to meet the need for the following reason:



- The reintegration of the 60 licensed, but unoccupied ACH beds in Caldwell County to an area of the county with a faster growing and aging population.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Supplemental information
- Remarks made at the public hearing
- Information which was publicly available during the review and used by the Agency.

Based on that review, the Agency concludes that the application is conforming to this criterion for the reasons stated above. Therefore, the application is approved subject to the following conditions:

- 1. Spartan Holdings, LLC and Grace Village, Inc. d/b/a Grace Village shall materially comply with all representations made in the certificate of need application.**
- 2. Spartan Holdings, LLC and Grace Village, Inc. d/b/a Grace Village shall relocate no more than 60 adult care home beds from Carolina Oakes Enhanced Care Center to Grace Village.**
- 3. Spartan Holdings, LLC and Grace Village, Inc. d/b/a Grace Village 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, Spartan Holdings, LLC and Grace Village, Inc. d/b/a Grace Village shall not increase private pay charges more than 5% of the projected private pay charges provided in Section X of the application without first obtaining a determination from the Healthcare Planning and Certificate of Need Section that the proposed increase is in material compliance with the representations in the certificate of need application.**
- 5. Spartan Holdings, LLC and Grace Village, Inc. d/b/a Grace Village shall develop and implement an Energy Efficiency and Sustainability Plan for the project that conforms to or exceeds energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes.**
- 6. No later than three months after the last day of each of the first three full years of operation following initiation of the services authorized by this certificate of need, Spartan Holdings, LLC and Grace Village, Inc. d/b/a Grace Village 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. Spartan Holdings, LLC and Grace Village, Inc. d/b/a Grace Village 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, Spartan Holdings, LLC and Grace Village, Inc. d/b/a Grace Village propose to relocate 60 existing ACH beds from Carolina Oakes Enhanced Care Center to a new facility, Grace Village.

**Capital and Working Capital Costs**

In Section VIII.1, page 33, the applicants project the total capital cost for the proposed project will be \$8,946,000, including:

**Grace Village Project Capital Cost**

<b>Cost Category</b>	<b>Projected Capital Cost</b>
Site Costs, including land purchase	\$1,159,000
Construction Costs	\$6,487,000
Equipment/Furniture	\$350,000
Consultant Fees	\$250,000
Commercial Loan Fees t	\$494,000
Interest During Construction	\$206,000

<b>TOTAL CAPITAL COST</b>	<b>\$8,946,000</b>
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Source: Section VIII.1, page 33 of the application.

In Section XI, Form B, page 45, the applicants state that the working capital needs for the proposed project will be funded by a loan from Charlotte/Advance, Inc. Although, the applicants never identify the amount needed for the working capital needs of the proposed project, Exhibit 18, page 296, contains a letter from the CEO of Charlotte/Advance, Inc. authorizing a loan of \$400,000 for initial working capital needs.

### **Availability of Funds**

Exhibit 18 contains a letter dated October 13, 2017 from the Vice President of Peoples Bank stating their willingness to consider financing the proposed project in the amount of \$7,200,000. Additionally, Exhibit 18 contains letters from each of the owners of Grace Village stating they each have the necessary funds to cover their individual shares of the owner equity required for the proposed project. Exhibit 18 contains a letter dated October 12, 2017 from the CEO of Charlotte/Advance, Inc. indicating the company's willingness to fund up to \$400,000 for the working capital needs of the proposed project.

### **Financial Feasibility**

The applicant provided pro forma financial statements for the first three full fiscal years of operation following completion of the project. In the pro forma financial statement (Form B), the applicants project that operating expenses will significantly exceed projected revenues in operating year (OY) one. The applicants project that revenues will exceed operating expenses in OY2 of the project, as shown in the table below.

	<b>1<sup>st</sup> Full Fiscal Year 2021</b>	<b>2<sup>nd</sup> Full Fiscal Year 2021</b>
Total Projected # of Patient Days	13,028	21,323
Total Revenues (Charges)	\$1,205,865	\$1,949,415
Average Net Revenue per Day (Net Revenue/ Projected # of Days)	\$92.56	\$91.42
Total Operating Expenses (Costs)	\$1,573,222	\$1,941,509
Average Operating Expense per Day (Operating Expense/Projected # of Days)	\$120.76	\$91.10
Net Income	<b>(\$367,357)</b>	<b>\$7,906</b>

The assumptions used by the applicant in preparation of the pro forma financial statements are reasonable, including projected utilization, costs and charges. See Section IX and Exhibits 15 and 16 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.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Supplemental information
- Remarks made at the public hearing
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion for the following reasons:

- The applicants adequately demonstrate that the capital and working capital costs are based on reasonable and adequately supported assumptions.
  - The applicants adequately demonstrate availability of sufficient funds for the capital and working capital needs of the proposal.
  - 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.
- (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, Spartan Holdings, LLC and Grace Village, Inc. d/b/a Grace Village propose to relocate 60 existing ACH beds from Carolina Oakes Enhanced Care Center in Lenoir to a new facility, Grace Village in Granite Falls. Both facilities are located in Caldwell County.

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 Caldwell 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 six facilities in Caldwell County with licensed ACH beds, however only five of those facilities are operational. The table below is a summary of those facilities in Caldwell County, from the 2017 SMFP, Chapter 11, Table 11A and Table 11B. There is a projected surplus of 33 ACH beds in 2020 for Caldwell County.

<b>2017 ACH INVENTORY AND 2020 NEED PROJECTIONS FOR CALDWELL COUNTY</b>	
# ACH Facilities	6
# Beds in ACH Facilities	331

# Beds in Nursing Facilities	18
Total Licensed Beds	349
# CON Approved Beds (License Pending)	0
Total # Available*	289
Total # in Planning Inventory	349
Projected Bed Utilization Summary	316
Projected Bed Surplus (Deficit)	33

\*The sixty licensed beds at Carolina Oakes Enhanced Care Center are listed in the bed inventory, however, the facility is closed and those beds are not available to patients.

The applicants do not propose to develop new ACH beds, but rather to relocate 60 existing ACH beds, currently located at Carolina Oakes Enhanced Care Center, to a new facility in Granite Falls. There will be no increase in the inventory of ACH beds or the number of ACH facilities in Caldwell County.

The applicants adequately demonstrate their proposal would not result in the unnecessary duplication of existing or approved ACH services in Caldwell County for the following reasons:

- The proposal would not result in an increase in the number of ACH beds in Caldwell County.
- The applicants adequately demonstrate that the proposed relocation of existing unoccupied ACH beds is needed in addition to the existing or approved ACH beds in Caldwell County.

### **Conclusion**

The Agency reviewed the:

- Applications
- Exhibits in the application
- Remarks made at the public hearing
- Supplemental information
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion for the reasons stated above.

- (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.

In Section VII.3, page 31, the applicants provide a table showing projected staffing for Grace Village in the second operating year (FY2021), as summarized in the table below.

<b>Position</b>	<b>Proposed Staffing FTE Positions</b>
Care Coordinator	1.0
Supervisor/Med Aides	7.0
Personal Care Aides	14.0
Transportation	1.0
Food Service Supervisor	1.0
Cooks	2.0
Dietary Aides	2.0
Activity Director	1.0
Housekeeping Aides	3.0
Laundry Aide	0.5
Maintenance Supervisor	1.0
Administrator	1.0
Bookkeeper	1.0
<b>TOTAL</b>	<b>35.5</b>

In Section VII, pages 30, the applicants describe their on-going discussions with UNC-Caldwell Memorial Hospital concerning services to Grace Village residents. Exhibit 10 contains a letter dated October 11, 2017 from Dr. Herman of Physicians Eldercare offering to provide medical director services for the proposed facility. See pages 5, 6, 15 and 30 for a discussion of staffing and services.

The applicants adequately demonstrate the availability of sufficient health manpower and management personnel to provide the proposed services.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Remarks made at the public hearing
- Supplemental information
- Information which was publicly available during the review and used by the Agency.

Based on that review, the Agency concludes that the application is conforming to this criterion for the reasons stated above.

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

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

C

In Section II.1, page 15, the applicants describe the ancillary and support services that will be provided by the facility or made available through agreements with other providers. Exhibit 9, contains letters of support from Caldwell UNC Health Care (Physician's Service Agreement), Medipack Pharmacy, and QMX (Imaging & Diagnostic Services). Exhibit 10 contains a letter of support from the proposed Medical Director for the facility.

**Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Supplemental information
- Remarks made at the public hearing
- Information which was publicly available during the review and used by the Agency.

Based on that review, the Agency concludes that the application is conforming to this criterion for the reasons stated above.

- (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

The applicants do not project to provide the proposed services to a substantial number of persons residing in Health Service Areas (HSAs) that are not adjacent to the HSA in which the services will be offered. Furthermore, the applicants do not project to provide the proposed services to a substantial number of persons residing in other states that are not adjacent to the North Carolina county in which the services will be offered. Therefore, Criterion (9) is not applicable to this review.

- (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

The applicants are not an HMO. Therefore, Criterion (10) is not applicable to this review.

- (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, Spartan Holdings, LLC and Grace Village, Inc. d/b/a Grace Village propose to relocate 60 existing ACH beds from Carolina Oakes Enhanced Care Center, located at 229 Wilson Street NW in Lenoir (Caldwell County), to a new facility, Grace Village, to be developed on New Farm Road, near the intersection of River Bend Drive, in Granite Falls (Caldwell County). In Section X, pages 39-41, the applicants identify a primary and secondary site for the proposed new facility. In Exhibit 12, the applicants state there is, “*Less than 500 feet between proposed locations (option 1 vs option 2)*”. The applicants propose to build a 32,435 feet replacement ACH to house the 60 relocated ACH beds. The new ACH would consist of 28 private rooms and 32 semi-private beds. On pages 41-42, the applicants describe the energy efficiency and water conservation plans for the proposed ACH facility. Exhibit 13 contains a copy of a letter from a licensed architect that estimates that the total construction costs, including site development and architectural fees, will be \$7,497,000 which corresponds to the construction cost projections provided by the applicant in Section VIII.1, page 33. Exhibit 13 also contains a line drawing of the proposed 60-bed ACH. On pages 39-40, the applicants identify the proposed site and provide information about the current owner, zoning and special use permits for the site, and the availability of water, sewer and waste disposal and power at the site.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application



- Supplemental information
- Remarks made at the public hearing
- Information which was publicly available during the review and used by the Agency.

Based on that review, the Agency concludes that the application is conforming to this criterion for the reasons stated above.

(13) The applicant shall demonstrate the contribution of the proposed service in meeting the health-related needs of the elderly and of members of medically underserved groups, such as medically indigent or low income persons, Medicaid and Medicare recipients, racial and ethnic minorities, women, and handicapped persons, which have traditionally experienced difficulties in obtaining equal access to the proposed services, particularly those needs identified in the State Health Plan as deserving of priority. For the purpose of determining the extent to which the proposed service will be accessible, the applicant shall show:

(a) The extent to which medically underserved populations currently use the applicant's existing services in comparison to the percentage of the population in the applicant's service area which is medically underserved;

NA

Neither the applicants nor any related entities owns, operates or manages an existing facility located in the service area. Therefore, Criterion (13a) is not applicable to this review.

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

NA

Neither the applicant nor any related entities owns, operates or manages an existing facility located in the service area. Therefore, Criterion (13b) is not applicable to this review.

(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 supplemental information received February 2, 2018, the applicants state: *“Grace Village does not discriminate against any person on the basis of race, color, national origin, disability, or age.”*

In Section VI.2, page 27, the applicants provide the projected payor mix for ACH services at Grace Village for the second operating year (FY2022), as shown in the following table:

<b>Payor Category</b>	<b>Projected Number of Patient Days</b>	<b>ACH Percent of Patient Days</b>
Private Pay	9,643	45.2%
Semi-Private (Private Pay)	4,380	20.5%
Semi-Private Special Assistance (Medicaid)	7,300	34.2%
<b>Total</b>	<b>21,323</b>	<b>100.0%</b>

As shown in the table above, the applicants project that 34.2% of total ACH patient days will be provided to Medicaid state/county special assistance patients. The applicants describe the basis for their payor mix projection in Section IV.3, page 25 and Exhibit 16 of the application. The applicants state that the utilization projections are based on Tullock Management experience with other ACH facilities in North Carolina. The projected payor mix is reasonable and adequately supported for the following reasons:

- The need for the licensed, but unoccupied beds.
- The projected growth of the aging population of Caldwell County.

The Agency reviewed the:

- Application
- Exhibits to the application
- Supplemental information
- Remarks made at the public hearing
- Information which was publicly available during the review and used by the Agency.

Based on that review, the Agency concludes that the application is conforming to this criterion.

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

C

In Section V.4, page 26, the applicants state:

*“Potential residents are expected to be referred from a variety of sources, including families, physicians, hospital discharge planners, home health agencies, hospice providers, Departments of Social Services, church leaders, and word-of-mouth. The facility will also actively participate in community groups, networking*

*groups, and service organizations which involve the health care and social needs of the elderly.”*

The Agency reviewed the:

- Application
- Exhibits to the application
- Supplemental information
- Remarks made at the public hearing
- Information which was publicly available during the review and used by the Agency.

Based on that review, the Agency concludes that 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 7 contains a copy of a letter dated October 4, 2017 from the President of Caldwell Community College supporting the proposed project and requesting the facility be used as a training site for the colleges' health professional training programs.

The Agency reviewed the:

- Application
- Exhibits to the application
- Supplemental information
- Remarks made at the public hearing
- Information which was publicly available during the review and used by the Agency.

Based on that review, the Agency concludes that the applicant adequately demonstrates that the proposed services will accommodate the clinical needs of area health professional training programs, and therefore, 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, Spartan Holdings, LLC and Grace Village, Inc. d/b/a Grace Village propose to relocate 60 existing ACH beds from Carolina Oakes Enhanced Care Center to a new facility, Grace Village. Both facilities are located in Caldwell County.

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 Caldwell 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 six facilities in Caldwell County with licensed ACH beds, however only five of those facilities are operational. The table below is a summary of those facilities in Caldwell County, from the 2017 SMFP, Chapter 11, Table 11A and Table 11B. There is a projected surplus of 33 ACH beds in 2020 for Caldwell County.

<b>2017 ACH INVENTORY AND 2020 NEED PROJECTIONS FOR CALDWELL COUNTY</b>	
# ACH Facilities	6
# Beds in ACH Facilities	331
# Beds in Nursing Facilities	18
Total Licensed Beds	349
# CON Approved Beds (License Pending)	0
Total # Available*	289
Total # in Planning Inventory	349
Projected Bed Utilization Summary	316
Projected Bed Surplus (Deficit)	33

\*The sixty licensed beds at Carolina Oakes Enhanced Care Center are listed in the bed inventory, however, the facility is closed and those beds are not available to patients.

The applicants do not propose to develop new ACH beds, but rather to relocate 60 existing ACH beds, currently located at Carolina Oakes Enhanced Care Center, to a new facility in Granite Falls. There will be no increase in the inventory of ACH beds or the number of ACH facilities in Caldwell County.

In Section VI.5, pages 28-29, the applicants describe the expected effects of the proposed services on competition in the service area and discusses how any enhanced competition in the service area will promote the cost-effectiveness, quality and access to the proposed services. The applicants state,

*“Existing facilities in Caldwell County can be expected to respond to the market entry of a new provider by improving their accommodations and quality of services, and keeping charges at competitive levels.*

...

*With the entry of Grace Village into the Caldwell County ACH market, seniors of all payor sources will finally have the opportunity to access a state-of-the-art, brand new ACH facility in Caldwell County. ...*

*In a comparative sense, only one currently open ACH facility in Caldwell County served more County Assist patient days, according to the 2017 Licensure Renewal Applications. The majority of total utilization is expected to be able to pay privately, which is less than the private utilization reported by two other larger capacity Caldwell County ACH facilities. Consequently, Grace Village is well positioned in the Caldwell County market to improve access to ACH beds in Caldwell County by all payor sources. Also the facility anticipates providing a higher level of quality service and new state-of-the-art accommodations for the very same rates Medicaid pays all facilities, resulting in additional benefit to lower income residents residing at Grace Village.”*

The applicants adequately describe the expected effects of the proposed services on competition in the service area and adequately demonstrates:

- The cost-effectiveness of the proposal (see Sections VIII and XI of the application and any exhibits)
- Quality services will be provided (see Section II of the application and any exhibits)
- Access will be provided to underserved groups (see Section VI of the application and any exhibits)

## **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Supplemental information

- Remarks made at the public hearing
- Information publicly available during the review and used by the Agency.

Based on that review, the Agency concludes that the application is conforming to this criterion for the reasons stated above.

- (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.10, page 14, the applicants state that Tullock Management Company will provide management of Grace Village. On page 28, the applicants state that Grace Village is not yet operational. However, in Section II.3, page 17, the applicants state that some of the owners of Spartan Holdings, LLC and Grace Village are also owners in two other facilities in North Carolina, Terrace Ridge Assisted Living in Gastonia (Gaston County) and Journey's Assisted Living in Statesville (Iredell County). On page 17, the applicants report Terrace Ridge Assisted Living received a Type A violation in October 2015 and that a plan of correction was put in place with the facility being brought back into compliance as of November 2015. However, the facility appealed the monetary penalty, the penalty was paid in June 2017. See Attachment 3, for additional information on those facilities. According to the files in the Adult Care Licensure Section, DHSR, an 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 problem had been corrected. Based on a review of the certificate of need application, publicly available data, and information provided by the Adult Care and Licensure Section, the applicants adequately demonstrate that they or a related entity provided quality care during the 18 months immediately preceding the submittal of the application through the date of the decision.

After reviewing and considering information provided by the applicants and the quality of care provided at both 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 The Criteria and Standards for Nursing Facility or Adult Care Home Facility Services promulgated in 10A NCAC 14C .1100, as described below:

**SECTION .1100 – CRITERIA AND STANDARDS FOR NURSING FACILITY OR ADULT CARE HOME SERVICES**

**10A NCAC 14C .1102 PERFORMANCE STANDARDS**

*(a) An applicant proposing to add nursing facility beds to an existing facility, except an applicant proposing to transfer existing certified nursing facility beds from a State Psychiatric Hospital to a community facility, shall not be approved unless the average occupancy, over the nine months immediately preceding the submittal of the application, of the total number of licensed nursing facility beds within the facility in which the new beds are to be operated was at least 90 percent.*

**-NA-** The applicants are not proposing to add nursing facility beds to an existing facility.

*(b) An applicant proposing to establish a new nursing facility or add nursing facility beds to an existing facility, except an applicant proposing to transfer existing certified nursing facility beds from a State Psychiatric Hospital to a community facility, shall not be approved unless occupancy is projected to be at least 90 percent for the total number of nursing facility beds proposed to be operated, no later than two years following the completion of the proposed project. All assumptions, including the specific methodologies by which occupancies are projected, shall be clearly stated.*

**-NA-** The applicants are not proposing to establish a new nursing facility or add nursing facility beds to an existing facility.

*(c) An applicant proposing to add adult care home beds to an existing facility shall not be approved unless the average occupancy, over the nine months immediately preceding the submittal of the application, of the total number of licensed adult care home beds within the facility in which the new beds are to be operated was at least 85 percent.*

**-NA-** The applicants are not proposing to add adult care home beds to an existing facility.

*(d) An applicant proposing to establish a new adult care home facility or add adult care home beds to an existing facility shall not be approved unless occupancy is projected to be at least 85 percent for the total number of adult care home beds proposed to be operated, no later than two years following the completion of the proposed project. All assumptions, including the specific methodologies by which occupancies are projected, shall be stated.*

**-C-** In Section IV.2, the applicants project the proposed 60-bed ACH facility will operate at an average occupancy rate of 97 percent in the second operating year. The applicants describe their assumptions and methodology for projecting utilization in Section III.1, pages 19-30, and Section IV.3, page 25.

