

REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: September 27, 2019

Findings Date: September 27, 2019

Project Analyst: Celia C. Inman

Team Leader: Fatimah Wilson

Project ID #: F-11729-19

Facility: The Terrace at Brightmore of South Charlotte

FID #: 100541

County: Mecklenburg

Applicants: Charlotte SC Senior Housing OPCO, LLC
Charlotte SC Senior Housing PROPCO, LLC

Project: Relocate 4 ACH beds from Radbourne Manor to The Terrace at Brightmore of South Charlotte for a total of no more than 34 ACH beds upon completion of this project, which is a change of scope for Project ID #F-11607-18 (relocate 12 ACH beds from Radbourne Manor to a facility in Mint Hill)

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.

NA

Charlotte SC Senior Housing OPCO, LLC and Charlotte SC Senior Housing PROPCO, LLC, collectively referred to as “Charlotte SC” or “the applicant”, proposes to relocate four adult care home (ACH) beds from Radbourne Manor to The Terrace at Brightmore of South Charlotte (The Terrace) for a total of 34 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 2019 State Medical Facilities Plan (SMFP). Therefore, there are no need determinations in the 2019 SMFP which are applicable to this review.

Policies

The relocation of beds is within Mecklenburg County and the capital expenditure for this project is less than \$2 million; therefore, there are no policies in the 2019 SMFP which are applicable to this review.

Conclusion

The Agency reviewed the:

- application, and
- exhibits to the application.

Based on that review, the Agency concludes that Criterion (1) is not applicable to this review.

- (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

Charlotte SC, the applicant, proposes to relocate four ACH beds from Radbourne Manor to The Terrace for a total of 34 ACH beds. This is a Change of Scope application for Project ID #F-11607-18 (relocate 12 ACH beds from Radbourne Manor to Liberty Commons Nursing & Rehabilitation Center of Mint Hill).

Companion Project ID #F-11730-19 seeks to relocate the other eight ACH beds involved in Project ID #F-11607-18 to The Barclay at SouthPark (The Barclay). All of the aforementioned facilities are located in Mecklenburg County.

The approval of this project and companion Project ID #F-11730-19 would have the effect of nullifying Project ID #F-11607-18 which sought to add the twelve ACH beds to the undeveloped 83-bed nursing facility in Project ID #F-11461-18, Liberty Commons Nursing & Rehabilitation Center of Mint Hill. In Section E, page 29, the applicant states that it will relinquish the certificate of need (CON) for Project ID #F-11607-18, which

as a change of scope project, added 12 ACH beds to the 83 NF beds approved in Project ID #F-11461-18.

Upon approval and completion of the proposed projects, Project ID #F-11729-19, F-11730-19, and F-11461-18, The Terrace would be licensed for 34 ACH beds, The Barclay would be licensed for a total of 22 NF beds and 108 ACH beds, Radbourne Manor would be licensed for 0 ACH beds, and Liberty Commons Nursing & Rehabilitation Center of Mint Hill would be licensed for 83 NF beds and 0 ACH beds.

In Section C.4, page 18, the applicant states that The Terrace is a part of the Brightmore of South Charlotte retirement community which offers a full spectrum of care and services. The campus currently consists of:

- 148 independent living residences,
- 30 ACH beds at The Terrace, and
- 120 skilled nursing beds at The Pavilion Health Center.

Patient Origin

On page 219, the 2019 SMFP defines the service area for ACH beds as “*the county in which the adult care home bed is located.*” The Terrace is located in Mecklenburg County, thus, the service area for this project is Mecklenburg County. Facilities may also serve residents of counties not included in their service area.

In Sections C.2 and C.3, pages 16-17, the applicant provides the historical and projected patient origin at The Terrace, as summarized in the following tables.

**The Terrace at Brightmore of South Charlotte
Historical Patient Origin
Last Full Fiscal Year
8/1/18-7/1/19**

County/States	General ACH Beds Number of Patients	General ACH Beds Percent of Patients
Mecklenburg	15	94%
Other*	1	6%
Total	16	100%

Source: Section C, pages 16-17

Totals may not sum due to rounding

* “Other are from states not currently listed on the counties of origin table for license renewals”

**The Terrace at Brightmore of South Charlotte
Projected Patient Origin
Third Full Fiscal Year
10/1/22-9/1/23**

County/States	General ACH Beds Number of Patients	General ACH Beds Percent of Patients
Mecklenburg	29	94%
Other*	2	6%
Total	31	100%

Source: Section C, page 17

Totals may not sum due to rounding

* "Other are from states not currently listed on the counties of origin table for license renewals"

In Section C, page 17, the applicant provides the assumptions and methodology used to project its patient origin, stating that the applicant expects that the resident population to be served will "closely trend" to the resident population currently served by The Terrace. The applicant's assumptions are reasonable and adequately supported.

Analysis of Need

In Section C, pages 18-21, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services. On page 18, the applicant states that the following factors support the need for the relocation of four ACH beds:

- Projected growth in the service area population (pages 18-20),
- Need to create semi-private rooms for couples (page 20), and
- Rooms are fully utilized (pages 20-21).

The information provided by the applicant is reasonable and adequately supported for the following reasons:

- The North Carolina Office of State Budget and Management (NCOSBM) shows the total Mecklenburg County population increased more than 20% between 2010 and 2019. The total Mecklenburg County population is projected to increase 8% between 2019 and 2024.
- The NCOSBM projects that the population age 65 and older in Mecklenburg County is projected to grow by more than 150% between 2010 and 2030.
- According to The National Center for Assisted Living (NCAL), approximately 93% of assisted living residents are 65 years of age or older.
- Currently all 30 ACH beds at The Terrace are in private rooms. However, as the independent living population at The Terrace ages, the applicant maintains that couples would benefit from the addition of beds to create a few semi-private rooms.
- The Terrace assisted living beds have consistently experienced high occupancy rates, especially within the last year, operating at 86% occupancy for the most

recent nine months prior to submission of this application (October 2018-June 2019).

Exhibit C.4 contains documentation of support from residents of both The Terrace and Brightmore of South Charlotte.

Projected Utilization

In Section Q, Form C, page 63, the applicant provides the historical (FY2018), interim (FY2019 and FY2020), and projected utilization (FY2021-FY2023), as shown in the table below.

The Terrace ACH Bed Utilization

	Historical	Interim	Interim	Projected		
	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
# General ACH Beds	30	30	30	34	34	34
Days of Care	9,086	10,070	9,673	10,405	10,768	11,315
Occupancy Rate	82.98%	91.96%	88.33%	83.84%	86.77%	91.18%
#SCU ACH Beds	0	0	0	0	0	0
Days of Care	0	0	0	0	0	0
Occupancy Rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total # ACH Beds	30	30	30	34	34	34
Days of Care	9,086	10,070	9,673	10,405	10,768	11,315
Occupancy Rate	82.98%	91.96%	88.33%	83.84%	86.77%	91.18%

In Section Q, page 62, the applicant provides the assumptions and methodology used to project utilization, which are summarized below.

- Fiscal years run from October 1 through September 30, with operations beginning October 1, 2020.
- Utilization is based on the applicant’s past experience operating The Terrace.
- Fill-up rate is based on The Terrace’s past fill-up experience – one resident every 4 months during the first and second year, adding another resident in the third year and being considered full at 91.18% occupancy.

Projected utilization is reasonable and adequately supported for the following reasons:

- Projected utilization is based on the applicant’s experience with occupancy at the existing facility.
- Over the last nine months prior to the submission of the application (October 2018 – June 2019), the facility operated at 86% occupancy.
- The applicant’s utilization projections are supported by the historical and projected growth and aging of the Mecklenburg County population, particularly for older patient populations.

- The project seeks to develop ACH beds which are included in the Mecklenburg ACH inventory, but are not being developed as approved; therefore, are unutilized.

Access

In Section C.8, page 23, the applicant describes the access low-income people, racial and ethnic minorities, women, disabled people, the elderly, and underserved groups will have to the proposed services, and states that admissions will only be on written order of a physician. The applicant states:

“The Terrace allows admission only on the written order of a physician. Persons whose health, habilitative, or rehabilitative needs cannot be met by the services offered in the facility will not be admitted. Otherwise, The Terrace affords equal treatment and access to its services for all persons, without discrimination due race, color, religion, sex, marital status, national origin, sexual orientation, ancestry, or disability, or any other factor that would classify a resident as underserved.”

In Section L, page 50, the applicant projects that 100% of total ACH bed days will be private pay. The Terrace is the assisted living component of the Brightmore of South Charlotte retirement community, which offers on campus independent living, assisted living, and skilled nursing. The payor mix has been 100% private pay since The Terrace began providing services. The projected payor mix is reasonable and adequately supported.

Conclusion

The Agency reviewed the:

- application,
- exhibits to the application, and
- 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 following reasons:

- The applicant adequately identifies the population to be served.
- The applicant adequately explains why the population to be served needs the services proposed in this application.
- Projected utilization is reasonable and adequately supported.
- The applicant projects the extent to which all residents, including underserved groups, will have access to the proposed services (payor mix) and adequately support their 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.

C

The applicant proposes to relocate four of 12 ACH beds that were approved to be developed at Radbourne Manor Village in Project ID #F-11052-15 (Replace and relocate 12 ACH beds from Radbourne Manor III to a new location where the facility will be called Radbourne Manor Village) and later approved for development at Liberty Commons Nursing & Rehabilitation Center of Mint Hill (Project ID #F-11607-18 Change of Scope for Project ID #F-11461-18). The other eight ACH beds are proposed to be relocated to The Barclay in companion project, Project ID #F-11730-19. Subsequent to the submission of the CON under review, the CON for Project ID #F-11052-15 was relinquished. The 12 beds have not been developed as approved; therefore, the needs of the population that was to be served are not being adequately met at this time. The proposed relocation of four of 12 ACH beds within Mecklenburg County will help meet the needs of the population to be served and will not negatively impact 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. Thus, the proposed project is to relocate unutilized beds and will not reduce or eliminate existing services.

- (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

The applicant proposes to relocate four ACH beds from Radbourne Manor Village to The Terrace.

In Section E, page 29, the applicant discusses the alternatives considered for the beds and explains why each alternative is either more costly or less effective than the alternative proposed in this application. The alternatives considered were:

- Maintain the Status Quo, Developing the 12 ACH Beds at Liberty Commons of Mint Hill (Project ID #F-11607-18) – The applicant states that the addition of the 12 ACH beds at Mint Hill, adding a million dollars to the capital cost of developing the 83-bed nursing facility, is no longer financially feasible; therefore, this alternative is not the least costly alternative.
- Move all 12 Beds to The Terrace – the applicant states that this alternative would require significantly more capital because additional space would have to be

constructed, making this alternative more costly and not the most effective alternative.

- Move all 12 Beds to The Barclay – the applicant states that while this alternative would be financially feasible, it would be denying the residents of The Terrace access to the additional ACH beds; therefore, this alternative was not considered the most effective alternative.

On page 29, the applicant states:

“After considering the available alternatives, the applicants decided the addition of 4 adult care home beds at The Terrance and the remaining 8 ACH beds at Barclay at SouthPark best serves the needs of its current and future Mecklenburg County residents. This alternative is clearly the least costly and most effective alternative.”

The applicant adequately demonstrates that the alternative proposed in this application is the most effective alternative to meet the identified need for the following reasons:

- The application is conforming to all statutory and regulatory review criteria.
- The applicant provides credible information to explain why it believes the proposed project is the most effective alternative.

Conclusion

The Agency reviewed the:

- application, and
- exhibits to the application.

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. Charlotte SC Senior Housing OPCO, LLC and Charlotte SC Senior Housing PROPCO, LLC shall materially comply with all representations made in the certificate of need application.**
- 2. Charlotte SC Senior Housing OPCO, LLC and Charlotte SC Senior Housing PROPCO, LLC shall relocate no more than four adult care home beds from Radbourne Manor III for a total of no more than 34 adult care home beds at The Terrace at Brightmore of South Charlotte upon completion of the project.**
- 3. Prior to issuance of the CON, Liberty Commons of Mecklenburg, LLC and Mecklenburg County Healthcare Properties, LLC shall take appropriate steps to relinquish the CON for Project ID #F-11607-19 (Change of scope and cost overrun for Project ID# F-11052-15 and Project ID #F-11461-18 (develop a new**

- 83-bed nursing facility by relocating five nursing facility beds from Warren Hills (Warren County), ten beds from Cross Creek (Hyde County), 20 beds from Bermuda Commons (Davie County), 22 beds from Mary Gran (Sampson Shoreland (Columbus County), and ten beds from Legion Road Healthcare (Orange County)) for a total of no more than 83 NF beds and no more than 12 ACH beds upon completion of all three projects.**
- 4. Upon completion of the project, The Terrace at Brightmore of South Charlotte shall be licensed for no more than 34 adult care home beds.**
 - 5. Upon completion of Project ID #F-11461-18, Liberty Commons Nursing and Rehabilitation Center of Mint Hill will be licensed for 83 NF beds and 0 ACH beds.**
 - 6. For the first two years of operation following completion of the project, Charlotte SC Senior Housing OPCO, LLC and Charlotte SC Senior Housing PROPCO, LLC shall not increase private pay charges more than 5% of the projected private pay charges provided in Section Q 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.**
 - 7. No later than three months after the last day of each of the first three full fiscal years of operation following initiation of the services authorized by this certificate of need, Charlotte SC Senior Housing OPCO, LLC and Charlotte SC Senior Housing PROPCO, LLC shall submit, on the form provided by the Healthcare Planning and Certificate of Need Section, an annual report containing the:**
 - a. Payor mix for the services authorized in this certificate of need.**
 - b. Utilization of the services authorized in this certificate of need.**
 - c. Revenues and operating costs for the services authorized in this certificate of need.**
 - d. Average gross revenue per unit of service.**
 - e. Average net revenue per unit of service.**
 - f. Average operating cost per unit of service.**
 - 8. Charlotte SC Senior Housing OPCO, LLC and Charlotte SC Senior Housing PROPCO, LLC shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Agency in writing prior to issuance of the certificate of need.**
- (5) Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial feasibility of the proposal, based upon reasonable projections of the costs of and charges for providing health services by the person proposing the service.

C

The applicant proposes to relocate four ACH beds from Radbourne Manor Village to The Terrace.

Capital and Working Capital Costs

In Section Q, page 65, the applicant projects the total capital cost of the project, as shown in the table below.

Minimal Room Updates /Architect Fees	\$18,200
Furniture	\$40,000
Consultant Fees	\$ 7,500
Total	\$65,700

In Section F, pages 32-33, the applicant projects there will be no start-up costs or initial operating expenses as The Terrace is an existing operational facility.

Availability of Funds

In Section F.2, page 31, the applicant states that the capital cost will be funded as shown in the table below.

Sources of Capital Cost Financing

Type	The Terrace at Brightmore of South Charlotte	Total
Loans	\$	\$
Accumulated reserves or OE *	\$65,700	\$65,700
Bonds	\$	\$
Other (Specify)	\$	\$
Total Financing	\$65,700	\$65,700

* OE = Owner's Equity

Exhibit F.2 contains a letter from the owners of The Terrace, John A. McNeill Jr. and Ronald B. McNeill, committing to personally fund the project. Exhibit F.2 also contains a letter from the McNeills' CPA attesting to their personal financial status in excess of \$15,000,000 in cash, stocks or short-term investments and the availability of funds for the proposed project. The applicant adequately demonstrates that sufficient funds will be available for the capital needs of the proposed project.

Financial Feasibility

In Section Q, the applicant provides pro forma financial statements for the first three full fiscal years of operation following completion of the project. In Form F.5, pages 85-86, the applicant projects that revenues will exceed operating expenses in the first three operating years of the project, as summarized in the table below.

**The Terrace
 Revenue and Expenses**

	PY1 FY2021	PY2 FY2022	PY3 FY2023
ACH Beds	34	34	34
Total Gross Revenues (Charges)	\$2,108,331	\$2,223,944	\$2,431,197
Total Contractual Adjustments*	\$0	\$0	\$0
Total Net Revenue	\$2,108,331	\$2,223,944	\$2,431,197
Average Net Revenue per Bed	\$62,010	\$65,410	\$71,506
Total Operating Expenses (Costs)	\$1,807,391	\$1,837,311	\$1,926,044
Average Operating Expense per Bed	\$53,159	\$54,039	\$56,648
Other Revenue	\$22,579	\$25,052	\$26,326
Net Income	\$323,519	\$411,685	\$531,479

See Section Q of the application for the assumptions used regarding costs and charges. The assumptions used by the applicant in preparation of the pro forma financial statements are reasonable, including projected utilization, costs, and charges. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

Conclusion

The Agency reviewed the:

- application, and
- exhibits to the application.

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

- The applicant adequately demonstrates that the capital costs are based on reasonable and adequately supported assumptions.
- The applicant adequately demonstrates availability of sufficient funds for the capital needs of the proposal.
- 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.

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

C

The applicant proposes to relocate four ACH beds from Radbourne Manor Village to The Terrace.

On page 219, the 2019 SMFP defines the service area for ACH beds as “*the county in which the adult care home bed is located.*” The Terrace is located in Mecklenburg County. Thus, the service area for this project is Mecklenburg County. Facilities may also serve residents of counties not included in their service area.

Based on the data reported in Table 11A: Inventory of Adult Care Homes, pages 234-236 of the 2019 SMFP, Mecklenburg County currently has 45 facilities with ACH beds with a total planning inventory of 3,119 ACH beds, including beds with Agency approval or license pending minus exclusions. Also, based on data in Table 11C: Adult Care Home Need Projections for 2022, page 251 in the 2019 SMFP, Mecklenburg County has an adjusted occupancy rate of 75.99% and is projected to have an adult care home bed surplus of 218 beds in 2022.

In Section G, pages 36-38, the applicant provides a listing of the information provided in Table 11A and the 2017 days of care and occupancy rates, as provided in the individual 2018 License Renewal Applications (LRAs).

In Section G, page 38, the applicant explains why it believes the proposal would not result in the unnecessary duplication of existing or approved ACH bed services in Mecklenburg County. The applicant states that the proposed project does not seek to increase the number of ACH beds in Mecklenburg County. Rather, the applicant proposes to relocate existing ACH beds which are currently undeveloped; therefore, the project will not result in unnecessary duplication of existing or approved ACH beds.

The applicant adequately demonstrates that the proposal would not result in an unnecessary duplication of existing or approved services in the service area for the following reasons:

- The proposal does not increase the inventory of ACH beds in Mecklenburg County.
- The ACH beds to be relocated exist in the Mecklenburg ACH inventory but are undeveloped and thus unutilized.
- The applicant adequately demonstrates the need for the four relocated beds in addition to the existing ACH beds at The Terrace.

Conclusion

The Agency reviewed the:

- application,
- exhibits to the application, and
- 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.

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

C

In Section Q, Form H, page 88, the applicant provides current and projected staffing for the proposed services in full-time equivalent (FTE) positions, as summarized in the following table.

FTE Position	Current 7/1/2019	1 st Full FY FY2021	2 nd Full FY FY2022	3 rd Full FY FY2023
RNs	0.20	0.20	0.20	0.20
LPNs	1.00	1.00	1.00	1.00
Personal Care Aides	10.21	11.15	11.15	11.15
Staff Development Coordinator	0.50	0.50	0.50	0.50
Activities	1.00	1.00	1.00	1.00
Transportation	0.20	0.20	0.20	0.20
Laundry and Linen	0.00	0.00	0.00	0.00
Housekeeping	2.20	2.20	2.20	2.20
Plant Operation & Maintenance	0.70	0.70	0.70	0.70
Administration	1.20	1.20	1.20	1.20
Other (Business Office)	1.56	1.56	1.56	1.56
Other (Marketing)	0.20	0.20	0.20	0.20
Other (Med Tech)	4.20	5.30	5.30	5.30
TOTAL	23 [23.17]	25 [25.21]	25 [25.21]	25 [25.21]

Source: Form H in Section Q of the application
 Totals may not sum due to rounding

The assumptions used to project staffing are provided in Section Q, page 87. Adequate costs for the health manpower and management positions proposed by the applicant are budgeted in Form F.4, which is found in Section Q. In Section H, pages 39-40, the applicant describes the methods used to recruit or fill new positions and their existing training and continuing education programs. On page 40, the applicant discusses the physicians who will admit residents and provide medical services. The applicant provides supporting information in Exhibits H.4 and Exhibit I.2.

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

Conclusion

The Agency reviewed the:

- application, and
- exhibits to the application.

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 I.1, page 42, the applicant states that the following ancillary and support services are necessary for the proposed services:

- | | |
|------------------------|-------------------------------|
| • Pharmacy | • Social Services |
| • Lab Services | • Housekeeping |
| • Dietary | • Barber/Beauty/Nail Services |
| • Transportation | • Hospice/Respite |
| • Speech Therapy/PT/OT | • Personal Laundry |
| • Psychiatric Services | • Radiology Services |
| • Rehab Services | • Home Health Services |

The applicant states that ancillary and support care will continue to be provided on site and/or through existing relationships. In Section I, page 43, the applicant describes its existing relationship with other local health care and social service providers and provides documentation in Exhibit I.2.

The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system.

Conclusion

The Agency reviewed the:

- application, and
- exhibits to the application.

Based on that review, the Agency concludes that 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

The applicant does 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 applicant does 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 applicant is 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.

NA

The applicant proposes to relocate four ACH beds from Radbourne Manor Village to The Terrace. The applicant is not proposing construction of new space or major renovation of existing space, only minimal room updates converting four private rooms to semi-private rooms. Therefore, Criterion (12) is not applicable to this review.

- (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

The Terrace at Brightmore is the assisted living component of the Brightmore of South Charlotte retirement community, which offers on campus independent living, assisted living, and skilled nursing.

In Section L.1(b), page 49, the applicant states that The Terrace's current payor source is 100% private pay.

In Section L.1(a), page 48, the applicant provides the following comparison.

	Percentage of Total Patients Served by The Terrace during the Last Full FY*	Percentage of the Population of the Service Area**
Female	85%	48%
Male	15%	52%
Unknown	0.0%	0.0%
64 and Younger	0%	89%
65 and Older	100%	12%

*Source: The Terrace 2019 LRA

**Source:2019 Spotlight pop-facts data by the Applicant (Exhibit C.4)

Conclusion

The Agency reviewed the:

- application, and
- exhibits to the application, and
- information which was publicly available during the review and used by the Agency.

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

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

C

Regarding any obligation to provide uncompensated care, community service, or access by minorities and persons with disabilities, in Section L, page 49, the applicant states that it has no obligation to provide uncompensated care, community service, or access by minorities and persons with disabilities.

In Section L, page 50, the applicant states that during the last five years, there have been no patient civil rights access complaints filed against the existing facility or any affiliated facilities owned by the applicant or a related entity and located in North Carolina.

Conclusion

The Agency reviewed the:

- application, and
- exhibits to the application.

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

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

C

The Terrace is the assisted living component of the Brightmore of South Charlotte retirement community, which offers on campus independent living, assisted living, and skilled nursing.

In Section L.3, page 50, the applicant projects that 100% of total paid bed days will be private pay in FY2023, the third full fiscal year following completion of the project.

In Section L.3, page 50, the applicant provides the assumptions and methodology used to project payor mix, stating that The Terrace has been 100% private pay

since opening. The applicant also states that The Terrace is not certified for participation in the Medicare, Medicaid, or State County Assistance programs.

In Section L.4, page 51, the applicant states:

“ . . . The Terrace affords equal treatment and access to its services for all persons, without discrimination due race, color, religion, sex, marital status, national origin, sexual orientation, ancestry, or disability, or any other factor that would classify a resident as underserved. The Terrace does only serve elderly persons, as defined in G.S. 131D-21(5).”

The projected payor mix is reasonable and adequately supported for the following reasons:

- The projected payor mix is based on the historical payor mix of the existing facility.
- The facility is not certified for participation in the Medicare, Medicaid, or State County Assistance programs.

Conclusion

The Agency reviewed the:

- application,
- exhibits to the application, and
- 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 L.5, page 51, the applicant adequately describes the range of means by which patients will have access to the proposed services.

Conclusion

The Agency reviewed the:

- application, and
- exhibits to the application.

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

In Section M, page 52, the applicant adequately describes the extent to which area health professional training programs will have access to the facility for training purposes and provides documentation in Exhibit M.2.

Conclusion

The Agency reviewed the:

- application, and
- exhibits to the application.

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 applicant proposes to relocate four ACH beds from Radbourne Manor Village to The Terrace.

On page 219, the 2019 SMFP defines the service area for ACH beds as “*the county in which the adult care home bed is located.*” The Terrace is located in Mecklenburg

County. Thus, the service area for this project is Mecklenburg County. Facilities may also serve residents of counties not included in their service area.

Based on the data reported in Table 11A: Inventory of Adult Care Homes, pages 234-236 of the 2019 SMFP, Mecklenburg County currently has 45 facilities with ACH beds with a total planning inventory of 3,119 ACH beds including ACH beds with Agency approval or license pending minus exclusions. Also, based on data in Table 11C: Adult Care Home Need Projections for 2022, page 251 in the 2019 SMFP, Mecklenburg County has an adjusted occupancy rate of 75.99% and is projected to have an adult care home bed surplus of 218 beds in 2022.

In Section N, pages 53-54, the applicant describes 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 cost-effectiveness, quality, and access to the proposed services. On page 53, the applicant states:

“The proposed ACH bed project will promote cost-effectiveness, quality, and access to services, as explained in Section N.2 below, and therefore will promote competition in Mecklenburg County because it will enable the Terrace to better meet the needs of its rapidly growing resident population, and to ensure the timely provision of assisted living services to its own residents. The proposed project will have a positive effect on competition in the area, as the demand for these 4 ACH beds may encourage other facilities with poor utilization in Mecklenburg County to improve their current situations in order to compete.

...

... the ACH beds will be added to create semi-private rooms and will require no construction and minimal capital investment to convert the space. Developing these beds in an already established building is the most cost effective option.”

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

- The cost-effectiveness of the proposal (see Sections F and Q of the application and any referenced exhibits).
- Quality services will be provided (see Section O of the application and any referenced exhibits).
- Access will be provided to underserved groups (see Section L of the application and any referenced exhibits).

Conclusion

The Agency reviewed the:

- application,
- exhibits to the application, and
- 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.

- (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 Form A.7(b), page 61, the applicant lists four North Carolina ACH facilities owned, operated, or managed by the applicant or a related entity. In Section O, page 56, the applicant states that no identified, affiliated Liberty ACH facility has operated out of compliance, has had admissions suspended, or been denied payment for residents in the 18 months immediately preceding the submission of the application. The Terrace is not certified for participation in Medicare, Medicaid or State County Assistance programs.

After reviewing and considering information provided by the applicant and by the Adult Care Licensure Section and considering the quality of care provided at all four ACH facilities, the applicant provides sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

- (21) Repealed effective July 1, 1987.
- (b) The Department is authorized to adopt rules for the review of particular types of applications that will be used in addition to those criteria outlined in subsection (a) of this section and may vary according to the purpose for which a particular review is being conducted or the type of health service reviewed. No such rule adopted by the Department shall require an academic medical center teaching hospital, as defined by the State Medical Facilities Plan, to demonstrate that any facility or service at another hospital is being appropriately utilized in order for that academic medical center teaching hospital to be approved for the issuance of a certificate of need to develop any similar facility or service.

C

The Criteria and Standards for Nursing Facility or Adult Care Home Services promulgated in 10A NCAC 14C .1100 are applicable to this review. The specific criteria are discussed below.

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

10A NCAC 14C .1102 PERFORMANCE STANDARDS

- (a) *An applicant proposing to add nursing facility beds to an existing facility, except an applicant proposing to transfer existing certified nursing facility beds from a State Psychiatric Hospital to a community facility, shall not be approved unless the average occupancy, over the nine months immediately preceding the submittal of the application, of the total number of licensed nursing facility beds within the facility in which the new beds are to be operated was at least 90 percent.*
- NA- The applicant does not propose to establish a new nursing facility or 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 applicant does not propose 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.*
- C- In Section C.9, page 24, the applicant adequately demonstrates that the average occupancy of The Terrace over the nine months immediately preceding the submittal of the application was 86 percent, which exceeds the performance standard requirement of at least 85 percent occupancy.
- (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 Q Form C, page 63, the applicant projects that The Terrace will have an occupancy rate of 86.77 percent by the end of the second full fiscal year following project completion, which exceeds the performance standard requirement of at least 85 percent occupancy. The applicant provides the assumptions and methodology to project utilization in Section Q. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.