

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: March 26, 2019

Findings Date: March 26, 2019

Project Analyst: Mike McKillip

Chief: Martha Frisone

Project ID #: L-11611-18

Facility: The Landings at Rocky Mount

FID #: 180505

County: Nash

Applicants: Nash Opco, LLC

Nash Propco, LLC

Project: Relocate 60 adult care home beds (including 30 special care unit beds) from The Gardens of Nashville (f/k/a Universal Health Care/Nashville) to a new 60-bed adult care home facility in Rocky Mount

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

Nash Opco, LLC and Nash Propco, LLC [**The Landings at Rocky Mount**] propose to relocate 60 existing adult care home (ACH) beds, including 30 special care unit beds, from The Gardens of Nashville (f/k/a Universal Health Care/Nashville), located at 1022 Eastern Avenue in Nashville, to The Landings at Rocky Mount, a new ACH facility to be located at 9951 N.C. Highway 58 in Elm City (Nash County), pursuant to Policy LTC-2. Both the existing and proposed facility locations are in Nash County.

Table 11A of Chapter 11 of the 2018 State Medical Facilities Plan (SMFP) lists Universal Health Care/Nashville with 122 ACH beds in the inventory of Nash County ACH beds. The Adult Care Licensure (ACL) Section documents that Universal Health Care/Nashville is

licensed for 122 ACH beds, including 30 special care unit (SCU) beds. Following completion of the proposed project, Universal Health Care/Nashville would be licensed for a total of 62 ACH beds, and no special care unit beds. The Landings at Rocky Mount would be licensed for a total of 60 ACH beds, including 30 SCU 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 2018 SMFP. Therefore, there are no need determinations applicable to this review.

Policies

There are two policies in the 2018 SMFP which are applicable to this review: *Policy LTC-2: Relocation of Adult Care Home Beds* and *Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities*.

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

Both the existing facility, Universal Health Care/Nashville, and the proposed new facility, The Landings at Rocky Mount, are located, or will be located, in Nash County. The number of licensed adult care home beds in Nash County will not change as a result of the proposed relocation. Therefore, the application is consistent with Policy LTC-2.

Policy GEN-4, on page 33 of the 2018 SMFP, states:

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

In approving a certificate of need proposing an expenditure greater than \$5 million to develop, replace, renovate or add to a health service facility pursuant to G.S. 131E-178, 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 is required to submit a plan of energy efficiency and water conservation that conforms to the rules, codes and standards implemented by the Construction Section of the Division of Health Service Regulation. The plan must be consistent with the applicant’s representation in the written statement as described in paragraph one of Policy GEN-4. The plan shall not adversely affect patient or resident health, safety or infection control.”

The proposed capital expenditure for this project exceeds \$5 million; therefore, Policy GEN-4 is applicable to this review. In Section B.10, page 19, the applicants state that the proposed building addition will be constructed using the latest technologies to assure maximum energy efficiency, in compliance with the requirements of Policy GEN-4 in the SMFP. The applicants further include a written statement describing specifics related to energy and water usage efficiencies. The applicants adequately demonstrate that the application includes a written statement describing the project’s plan to assure improved energy efficiency and water conservation. Therefore, the application is consistent with Policy GEN-4.

Conclusion

In summary, the applicants adequately demonstrate that the proposal is consistent with the 2018 SMFP Policy LTC-2 and Policy GEN-4. Therefore, the application is conforming to this criterion.

The Agency reviewed the:

- Application
- Exhibits to the application

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

- The applicants adequately document the plan for relocating existing ACH beds from Universal Health Care/Nashville in Nash County to the proposed new facility, The Landings at Rocky Mount, in Nash County, is consistent with Policy LTC-2.
 - The applicants provide a written statement that demonstrates that the project includes a plan for energy efficiency and water conservation.
- (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 propose to relocate 60 existing adult care home (ACH) beds, including 30 special care unit beds, from The Gardens of Nashville (f/k/a Universal Health Care/Nashville), located at 1022 Eastern Avenue in Nashville, to The Landings at Rocky Mount, a new 60-bed ACH facility to be located at 9951 N.C. Highway 58 in Elm City (Nash County), pursuant to Policy LTC-2.

Patient Origin

On page 211, the 2018 SMFP defines the service area for adult care home beds as follows:

“An adult care home bed’s service area is the adult care home 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 Tyrrell, are considered a combined service area.”

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

In Section C.2, page 23, the applicants state they do not have historical patient origin information for the existing ACH beds at Universal Health Care/Nashville because the applicants did not own the facility until sometime in 2018. Also, based on the information provided in the 2018 License Renewal Application for Universal Health Care/Nashville, the facility was not operational in FY2017. In Section C.3. page 4, the applicants provide a table showing projected patient origin for the proposed ACH facility for the third full operating year (FFY2024), as summarized below.

**The Landings at Rocky Mount
Projected Patient Origin (FFY2024)**

County	# of ACH Patients	% of Total
Nash	34	57%
Edgecombe	8	13%
Halifax	6	10%
Wilson	2	3%
Cabarrus	1	2%
Columbus	1	2%
Davidson	1	2%
Duplin	1	2%
Franklin	1	2%
Mecklenburg	1	2%
Pender	1	2%
Rowan	1	2%
Wake	1	2%
TOTAL	60	100%

Source: Table on page 24 of the application.
Totals may not sum due to rounding

The applicants state that the projected patient origin for the 60 beds to be relocated was based on the patient origin experience of Somerset Court of Rocky Mount, an adult care home facility located in Nash County and managed by Affinity Living Group, which is the same management company that will operate the proposed facility. The applicants' assumptions are reasonable and adequately supported.

Analysis of Need

In Section C.4, pages 25-35, the applicants explain why they believe Nash County and the population projected to utilize the proposed facility need the proposed services. The applicants describe the key factors which they state drive the need for the proposed project, as listed below:

- There is a need for additional SCU beds in Nash County for patients with memory related impairments, particularly for residents on Medicaid and Special Assistance (pages 25-27).
- The existing adult care home facilities are highly utilized, with the exception of a few facilities that are restricted to private pay only or that have poor quality of care based on DHSR surveys and the Star Rating System (pages 27-31).
- Demand for ACH services is expected to increase over time because the older population segments in Nash County are expected to grow significantly (pages 31-32).
- The proposed location will give Nash County residents an alternative to the existing ACH facilities, which are almost all located in Rocky Mount, on the eastern border of Nash County (page 33).
- The proposed facility is supported by many local healthcare providers in Nash County (pages 33-35).

The applicants provide supporting documentation for the above factors in Exhibits C.4 through C.9. The information is reasonable and adequately supported for the following reasons:

- The applicants provide documentation that the existing ACH facilities in Nash County lack adequate SCU beds for the number of residents with memory impairments based on data reported in the their respective 2018 License Renewal Applications.
- The applicants demonstrate that the existing ACH facilities in Nash County are operating with relatively high occupancy rates, with the exception of a few facilities with private pay only ACH beds, or with a history of quality of care issues.
- The applicants provide data to demonstrate that the Nash County population that is 65 years old and older is projected to grow significantly over the next 20 years.
- The applicants discuss their correspondence with Nash County officials, local health agencies, businesses, and individuals who greatly support the proposed project. See Exhibit C.9.

Projected Utilization

In Section Q, the applicant provides the projected utilization for the proposed service. Section C. 7 requires the completion of Form C Utilization, which is found in Section Q and asks for data for the last full federal fiscal year (FFY) prior to submission of the application, interim data for each FFY prior to the first operating year, and the projected annual utilization data for the first three full FFYs following completion of the proposed project. The applicants project that the project will be complete and begin offering services on October 1, 2021; therefore the first three full FFY after completion of the project would be October 1, 2021 – September 30, 2022, October 1, 2022 – September 30, 2023, and October 1, 2023 – September 30, 2024. The applicants’ projected utilization provided in Section Q, Form C is summarized below.

**The Landings at Rocky Mount
 Form C Utilization**

	1st Full FFY 10/1/21-9/30/22	2nd Full FFY 10/1/22-9/30/23	3rd Full FFY 10/1/23-9/30/24
General ACH Beds			
# of Beds	30	30	30
Patient Days	5,566	10,038	10,248
Occupancy Rate	50.8%	91.7%	93.6%
SCU ACH Beds			
# of Beds	30	30	30
Patient Days	5,931	10,144	10,248
Occupancy Rate	54.2%	92.6%	93.6%
Total ACH Beds			
# of Beds	60	60	60
Patient Days	11,498	20,181	20,496
Occupancy Rate	52.5%	92.2%	93.6%

As shown in the table above, the applicants project the occupancy rate for the total ACH beds at the proposed facility is projected to be 92.2 percent in the second full year of operation of the project, which exceeds the utilization rate required in 10A NCAC 14C .1102(d).

The applicants provide their assumptions for the above projections on page 142 of Exhibit C.10, as summarized below:

- The facility will open with 15 reserved beds and the bed fill-up rate is projected to be an average of 3 residents per month until the ACH beds fill.
- The ACH beds are considered full at 93.6% in the third full FFY.

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

- Projected utilization is based upon historical utilization experience at similar facilities, combined with projected facility growth.
- The fill-up rate of three ACH patients per month is reasonable based on the historical experience of the applicants at similar facilities and the applicants' projected need.

Access

In Section C.8, pages 38, the applicants state:

“The proposed project will allow 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, all persons will be admitted to the facility without regard to their race, color, creed, age, national origin, handicap, sex, or source of payment.”

In Section L.3, page 63, the applicants project the following payor mix during the third full fiscal year of operation following completion of the project, FFY2024, as summarized in the following table.

**The Landings at Rocky Mount
ACH Beds 10/1/23-9/30/24**

County	General ACH Beds	SCU Beds
Private Pay	42.86%	42.86%
County Special Assistance	57.14%	57.14%
TOTAL	100.0%	100.0%

The projected payor mix is reasonable and adequately supported.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Information publicly available during the review and used by the Agency

Based on the 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 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 applicants propose to relocate 60 existing adult care home (ACH) beds, including 30 special care unit beds, from The Gardens of Nashville (f/k/a Universal Health Care/Nashville), located at 1022 Eastern Avenue in Nashville, to The Landings at Rocky Mount, a new 60-bed ACH facility to be located at 9951 N.C. Highway 58 in Elm City (Nash County), pursuant to Policy LTC-2.

In Section D, pages 42-43, the applicants explain why they believe the needs of the population presently utilizing the services to be relocated will be adequately met following completion of the project. On page 42, the applicants state:

“Currently, there are no residents utilizing the 122 ACH Beds at Universal Health Care/Nashville. The facility still retains its license, but there are no residents currently residing there. However, should any resident need to utilize any of the 122 ACH Beds that were previously available at Universal Health Care/Nashville, the Applicants, along with the management company for the proposed project, Affinity Living Group, will make any appropriate arrangements to relocate such residents to either the new proposed project to be built, or to another assisting living facility to which the resident desires to relocate.”

In Section D.4, page 43, the applicants state that the effect of the relocation of the 60 ACH beds will have a positive effect on access to the proposed services. The applicants state:

“Relocating the 60 ACH Beds from Universal Health Care/Nashville will only have a positive effect on all members of the [medically underserved] groups. At present, those beds are completely unutilized, meaning they are serving no one, including those in the above groups. Utilization of those beds in a new facility, which the Applicants propose to do, will increase access to adult care services in Nash County. The Applicants have a thorough nondiscrimination policy and will accept residents on Medicaid or Special Assistance, meaning those individuals in the above groups will certainly benefit from the new facility.”

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application adequately demonstrates that:

- The needs of the population currently using the services to be relocated will be adequately met following project completion.
- The project will not adversely impact the ability of underserved groups to access these services following project completion.

- (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 applicants, The Landings at Rocky Mount, propose to relocate 60 existing adult care home (ACH) beds, including 30 special care unit (SCU) beds, from The Gardens of Nashville (f/k/a Universal Health Care/Nashville), located in Nashville, to a new 60-bed ACH facility to be located on N.C. Highway 58 in Elm City (Nash County), pursuant to Policy LTC-2.

In Section E.2, page 44, the applicants describe the alternatives considered and explain why each alternative is less effective or more costly than the proposed alternative. The alternatives considered were:

- Maintain the Status Quo
- Renovate the existing Universal Health Care/Nashville facility

On pages 44-45, the applicants state that the project as proposed is the most effective alternative for the following reasons:

- The applicants state maintaining the status quo is not an effective alternative because the existing Universal Health Care/Nashville is larger than the optimal size for ACH facilities in the current market for these services, and the facility is quite outdated.

- The applicants state renovating the existing facility is not an effective alternative for the same reasons the status quo is not an effective alternative. Specifically, the existing Universal Health Care/Nashville is larger than the optimal size for ACH facilities, and it would be cost-prohibitive to renovate a facility that is quite outdated.

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

- The applicants adequately demonstrate the need for the project, as proposed, and provides adequate documentation regarding the development of the proposed project, including all related costs.
- The applicants use reasonable and adequately supported assumptions to project utilization.
- The data cited is reasonable to support the assumptions made with regard to the most effective alternative for development of the proposed project.

Conclusion

The Agency reviewed the:

- Application
- 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 conforming to this criterion and approved subject to the following conditions:

- 1. Nash Opco, LLC and Nash Propco, LLC shall materially comply with all representations made in the certificate of need application.**
- 2. Nash Opco, LLC and Nash Propco, LLC shall relocate no more than 60 adult care home beds (including 30 existing special care unit beds) to a new facility, The Landings at Rocky Mount, pursuant to Policy LTC-2 for a total of no more than 60 licensed adult care home beds, including 30 special care unit beds upon completion of the project.**
- 3. Nash Opco, LLC and Nash Propco, LLC 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, Nash Opco, LLC and Nash 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.**

5. **No later than three months after the last day of each of the first three full years of operation following initiation of the services authorized by this certificate of need, Nash Opco, LLC and Nash 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.**
6. **Nash Opco, LLC and Nash Propco, LLC shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Certificate of Need Section 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, The Landings at Rocky Mount, propose to relocate 60 existing adult care home (ACH) beds, including 30 special care unit (SCU) beds, from The Gardens of Nashville (f/k/a Universal Health Care/Nashville), located in Nashville, to a new 60-bed ACH facility to be located on N.C. Highway 58 in Elm City (Nash County), pursuant to Policy LTC-2.

Capital and Working Capital Costs

The total capital cost from Form F.1a is summarized as follows:

Projected Capital Cost

Site Costs	\$975,000
Construction Costs	\$3,240,000
Miscellaneous Costs	\$1,525,000
TOTAL CAPITAL COST	\$5,740,000

In Section F.1(b), the applicants refer to Exhibit Q.1 for assumptions and Exhibit Q.2 for worksheets. Exhibit K.1 contains the conceptual site plan with proposed line drawings for the addition, as prepared by Sherman Architecture.

In Section F.3, pages 47-48, the applicants project start-up expenses and initial operating expenses combined of \$631,790 associated with the project.

Availability of Funds

In Section F.2, page 46, the applicants state that they anticipate funding the total project capital costs, as shown in the table below.

Sources of Capital Cost Financing

Type	Total
Loans	\$5,740,000
Accumulated reserves or OE *	
Bonds (Tax Exempt)	
Other (Specify)	
Total Financing	\$5,740,000

* OE = Owner's Equity

In Section F.3, page 48, the applicants state that they anticipate funding the working capital costs, as shown in the table below.

Sources of Working Capital Financing

Type	Total
Loans	\$631,790
Accumulated reserves or OE *	
Bonds (Tax Exempt)	
Other (Specify)	
Total Financing	\$631,790

* OE = Owner's Equity

Documentation of the availability of funding is provided in Exhibits F.1 through F.4, including letters dated September 28, 2018 from the Managing Director of Locust Point Capital attesting to its on-going relationship with the applicants and its comfort in funding the capital and working capital cost for the proposed project and the amortization schedules associated with the proposed loans. The applicants adequately demonstrate that sufficient funds will be available for the capital and working capital needs of the proposed project.

Financial Feasibility

The applicants provide pro forma financial statements for the first three full fiscal years following completion of the project on October 1, 2021: FFY2022, FFY2023, and FFY2024. In Form F.5, the applicants project that revenues will exceed operating expenses in the second year of operation following completion of the proposed project for the ACH beds and the total facility, as shown in the table below.

**The Landings at Rocky Mount
 Projected ACH and SCU Bed Revenue and Expenses**

	FFY2022			FFY2023			FFY2024		
	Gen ACH	SCU	Total Facility	Gen ACH	SCU	Total Facility	Gen ACH	SCU	Total Facility
Resident Days	5,566	5,931	11,498	10,038	10,144	20,181	10,248	10,248	20,496
Total Gross Revenue (Charges)	\$474,660	\$754,674	\$1,229,334	\$853,330	\$1,273,917	\$2,127,247	\$869,760	\$1,283,904	\$2,153,664
Total Net Revenue	\$469,913	\$747,127	\$1,217,041	\$844,797	\$1,261,178	\$2,105,975	\$861,062	\$1,271,065	\$2,132,127
Average Net Revenue per Day	\$84	\$126	\$106	\$84	\$124	\$104	\$84	\$124	\$104
Total Operating Expenses (Costs)	\$807,670	\$910,298	\$1,717,967	\$883,120	\$1,075,864	\$1,958,984	\$889,572	\$1,078,241	\$1,967,813
Average Operating Expense per Day	\$145	\$153	\$149	\$87	\$106	\$97	\$86	\$105	\$96
Net Income	(\$337,756)	(\$163,170)	(\$500,927)	(\$38,323)	\$185,314	\$146,990	(\$28,509)	\$192,824	\$164,315

As the table above illustrates, the applicants project revenues will exceed operating expenses in the second operating year (FFY2023) following completion of the project.

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

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Supplemental information requested 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 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, The Landings at Rocky Mount, propose to relocate 60 existing adult care home (ACH) beds, including 30 special care unit (SCU) beds, from The Gardens of Nashville (f/k/a Universal Health Care/Nashville), located in Nashville, to a new 60-bed ACH facility to be located on N.C. Highway 58 in Elm City (Nash County), pursuant to Policy LTC-2.

On page 211, the 2018 SMFP defines the service area for adult care home beds as:

“An adult care home bed’s service area is the adult care home 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 Tyrrell, are considered a combined service area.”

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

The 2018 SMFP lists 12 facilities in Nash County that offer ACH services. The table below is a summary of ACH beds in Nash County. The table is recreated from the 2018 SMFP, Chapter 11, Table 11A, pages 228-229 and Table 11B, page 239. There is a projected surplus of 172 ACH beds in 2021 for Nash County.

2018 SMFP ACH INVENTORY AND 2021 NEED PROJECTIONS FOR NASH COUNTY	
# ACH Facilities	12
# Beds in ACH Facilities	478
# Beds in Nursing Facilities	44
Total Licensed Beds	522
# CON Approved Beds (License Pending)	0
Total # Available	522
Total # in Planning Inventory	522
Projected Bed Utilization Summary	350
Projected Bed Surplus (Deficit)	172

Source: 2018 SMFP

In Section G.3, page 52, the applicants explain why they believe their proposal would not result in the unnecessary duplication of existing or approved adult care services in Nash County. On page 51, the applicants provide a listing of the facilities in Nash County that provide adult care services, as shown in Table 11A, Chapter 11 of the 2018 SMFP. On page 51, the applicants provide a table based on data provided in the individual facilities’ LRAs that shows a county-

wide occupancy rate of 58.05%, with 32.56% of the resident days being Medicaid/Special Assistance and 67.44% being private pay.

On page 49, the applicants state:

“The Applicants’ proposed project does not seek to increase the number of ACH beds in the Nash County SMFP inventory. Rather, the Applicants propose to relocate already existing ACH beds in the SMFP inventory that are currently not being properly utilized and maximize their utilization. Therefore, no new beds will be added to adult care home bed inventory in the SMFP.”

The applicants adequately demonstrate that the relocation of the 60 ACH beds from The Gardens of Nashville (f/k/a Universal Health Care/Nashville) to the proposed new facility will not result in an unnecessary duplication of the existing or approved services in Nash County for the following reasons:

- The applicants adequately demonstrate that the 60 ACH beds are not being utilized at the Universal Health Care/Nashville facility.
- The applicants adequately demonstrate the need the population has for the 60 relocated Policy LTC-2 beds.
- The applicants adequately demonstrate that the relocated ACH beds are needed in addition to the existing ACH beds.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- 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.

C

In Section Q, Form H, page 90, the applicants provide projected staffing for the proposed services by full-time equivalent (FTE) position, as summarized in the following table.

**Projected FTE Positions
The Landings at Rocky Mount**

Staff Position	FFY2022	FFY2023	FFY2024
Registered Nurses	0.5	0.5	0.5
Aides	17.7	22.1	22.1
Alzheimer's Coordinator	1.0	1.0	1.0
Staff Development Coordinator	1.0	1.0	1.0
Clerical	1.3	1.4	1.4
Dietary	3.4	3.7	3.7
Activities	0.8	1.0	1.0
Transportation	0.6	0.9	0.9
Laundry and Linen	0.6	0.6	0.6
Housekeeping	2.4	2.7	2.7
Administration	1.0	1.0	1.0
Total FTE Positions	30.4	35.8	36.0

Totals may not sum due to rounding

Source: Form H in Section Q of the application

In Section H.1, page 53, the applicants state that the staffing assumptions are provided in Exhibit Q.1. Additional assumptions related to the allocation of salary expense in specific categories are provided in Exhibit Q.2. Adequate costs for the health manpower and management positions proposed by the applicant are budgeted in the pro forma financial statements.

In Section H, pages 53-54, the applicants discuss the availability of staff, recruitment methods, and training. In Exhibit H.1, the applicants provide a letter from Doctors Making House Calls confirming support for the project and intent to provide medical care to the residents of the proposed facility.

The applicants adequately demonstrate the availability of adequate health manpower and management personnel for the provision of the proposed services.

Conclusion

The Agency reviewed the:

- Application
- 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

The applicants list the necessary staffing positions to provide the proposed services in Form H, Section Q. In Section I.1, page 55, the applicants state that the facility will coordinate rehabilitative care through existing relationships. In Exhibit H.1, the applicants provide a letter from Doctors Making House Calls confirming support for the project and intent to provide medical care to the residents of the proposed facility. Exhibit C.9 contains letters for support from area healthcare providers.

The applicants adequately demonstrate that necessary ancillary and support services are available and that the proposed services will be coordinated with the existing healthcare system.

Conclusion

The Agency reviewed the:

- Application
- 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.

C

The applicants, The Landings at Rocky Mount, propose to relocate 60 existing adult care home (ACH) beds, including 30 special care unit (SCU) beds, from The Gardens of Nashville (f/k/a Universal Health Care/Nashville), located in Nashville, to a new 60-bed, ACH facility to be located on N.C. Highway 58 in Elm City (Nash County), pursuant to Policy LTC-2.

In Section K, page 58, the applicants state the project involves the construction of 27,522 square foot facility. Line drawings of the proposed facility are provided in Exhibit K.1.

On pages 58-59, the applicants adequately explain how the cost, design and means of construction represent the most reasonable alternative for the proposal. The proposed capital costs including construction costs are provided by the applicant in Sections F and Q of the application.

In Section K.3, page 59, the applicants state that the project will not unduly increase the costs of providing adult care services because the proposed construction of a new 60-bed facility is more cost-effective than renovating and operating the existing 122-bed facility, which is outdated.

On page 59, the applicants identify any applicable energy saving features that will be incorporated into the construction plans.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

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

C

The existing facility has not been operational since 2016, therefore, there is no historical payor mix to report. To the extent this criterion is applicable, the application is conforming.

- (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 63, the applicants state they have no obligation to provide such care.

In Section L.2(d), page 63, the applicants state that no civil rights access complaints have been filed against the applicants and/or any similar facilities owned by a related entity in North Carolina in the last five year.

The Agency reviewed the:

- Application
- 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

In Section L.3, page 63, the applicants provide the following projected payor mix in the third year of operation, FFY2024.

**The Landings at Rocky Mount
ACH Beds 10/1/23-9/30/24**

County	General ACH Beds	SCU Beds
Private Pay	42.86%	42.86%
County Special Assistance	57.14%	57.14%
TOTAL	100.0%	100.0%

As shown in the table above, the applicants project that the payor mix for the general and special care unit ACH beds will be 42.86% private pay and 57.14% county assistance. The applicants state that the assumptions related to payor mix are provided in Exhibits Q.1 and Q.2.

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

- The applicants state that the average Nash County ACH payor mix includes 32.56% Medicaid/Special Assistance and 67.44% private pay (Section G.2, page 51),
- The applicants project a payor mix that is approximately 57% Medicaid and Special Assistance and 43% private pay.

The Agency reviewed the:

- Application
- Exhibits to the application

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 64, the applicants adequately describe the range of means by which patients will have access to The Landings at Rocky Mount adult care beds.

The Agency reviewed the:

- Application
- 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.1, page 65, the applicants describe the extent to which area health professional training programs will have access to the facility for training purposes.

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the applicant adequately demonstrates that the proposed services will accommodate the needs of health professional training programs in the area; 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, The Landings at Rocky Mount, propose to relocate 60 existing adult care home (ACH) beds, including 30 special care unit (SCU) beds, from The Gardens of Nashville (f/k/a Universal Health Care/Nashville), located in Nashville, to a new 60-bed ACH facility to be located on N.C. Highway 58 in Elm City (Nash County), pursuant to Policy LTC-2.

On page 211, the 2018 SMFP defines the service area for adult care home beds as:

“An adult care home bed’s service area is the adult care home 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 Tyrrell, are considered a combined service area.”

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

The 2018 SMFP lists 12 facilities in Nash County that offer ACH services. The table below is a summary of ACH beds in Nash County. The table is recreated from the 2018 SMFP, Chapter 11, Table 11A, pages 228-229 and Table 11B, page 239. There is a projected surplus of 172 ACH beds in 2021 for Nash County.

2018 SMFP ACH INVENTORY AND 2021 NEED PROJECTIONS FOR NASH COUNTY	
# ACH Facilities	12
# Beds in ACH Facilities	478
# Beds in Nursing Facilities	44
Total Licensed Beds	522
# CON Approved Beds (License Pending)	0
Total # Available	522
Total # in Planning Inventory	522
Projected Bed Utilization Summary	350
Projected Bed Surplus (Deficit)	172

Source: 2018 SMFP

In Section N, page 66, the applicants describe the expected effects of the proposed services on competition in the service area and discuss how any enhanced competition will promote the cost-effectiveness, quality and access to the proposed services. The applicants state:

“The proposed project will have a positive effect on competition in the area, as the demand for these 60 ACH beds may encourage other facilities with poor utilization in Nash County to improve their current situations in order to compete with the expansion of the proposed project.”

On page 62, the applicants list numerous ways that they believe the new facility will enhance cost effectiveness and quality of care, including building the new facility to the highest standards, the

increased availability of much-needed SCU beds, and admission of residents who seek home-like setting.

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

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

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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 Exhibit O.1, pages 169-171, the applicants list 85 North Carolina ACH facilities owned, operated, or managed by a related entity, showing Type A and B violations and penalties received during the 18 months immediately preceding the submittal of the application. In Section O.3(b)(ii), page 69, the applicants state:

“All violations received by said facilities have been resolved successfully with DHSR. It is the Applicants and the management company’s (Affinity Living Group) foremost goal and intent to comply with any [sic] all licensure requirements imposed by DHSR.”

According to the files in the Adult Care Licensure Section, DHSR, all of the applicants’ facilities in which incidents related to quality of care occurred during the 18 months immediately preceding submission of the application through the date of this decision are currently back in compliance. After reviewing and considering information provided by the applicants and by the Adult Care Licensure Section and considering the quality of care provided by the applicants, the applicants provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

- (21) Repealed effective July 1, 1987.

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

NA

The Criteria and Standards for Nursing Facility or Adult Care Home Services promulgated in 10A NCAC 14C .1100 do not apply to this review because the applicants are not proposing to develop new adult care home beds or add adult care home beds to an existing facility.