

## REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA = Conforming as Conditioned

NC = Nonconforming

NA = Not Applicable

Decision Date: February 25, 2021

Findings Date: February 25, 2021

Project Analyst: Tanya M. Saporito

Team Leader: Fatimah Wilson

Project ID #: G-11965-20

Facility: Guilford Senior Living

FID #: 200746

County: Guilford

Applicants: High Point Opco, LLC  
High Point Propco, LLC

Project: Relocate no more than 29 undeveloped ACH beds from Guilford House which is a change of scope for Project ID #G-11496-18 (relocate 29 ACH beds) and 11 ACH beds from Holden Heights to develop a new 40 bed ACH facility

### REVIEW CRITERIA

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

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

C

The applicants for the proposed project, High Point Opco, LLC and High Point Propco, LLC (hereinafter referred to as “the applicants”) are limited liability companies whose manager is Charles E Trefzger, Jr. Mr. Trefzger is also manager of ALG Senior, LLC (“ALG”), formerly known as Affinity Living Group, LLC, which manages/operates approximately 88 adult care homes (ACH) in North Carolina. In Project ID #G-11496-18, Greensboro AL Holdings, LLC and Guilford Propco Holdings, LLC, limited liability companies also managed by Mr. Trefzger, proposed to relocate 29 ACH beds from Wellington Oaks (an existing ACH) to Guilford House for a total of 85 SCU beds at Wellington Oaks and a total of 89 ACH beds at Guilford House, including a 32-bed special care unit (SCU). That project was never developed. In addition, Mr. Trefzger manages Holden House, a 96-bed ACH facility also located in

Guilford County. In this application the applicants propose to relocate the 29 previously approved but undeveloped ACH beds in Project ID #G-11496-18 and 11 existing licensed ACH beds from Holden House to develop a new 40-bed ACH facility, Guilford Senior Living, in High Point, Guilford County.

### **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 2020 State Medical Facilities Plan (SMFP). Therefore, there are no need determinations applicable to this review.

### **Policies**

There is one policy in the 2020 SMFP that is applicable to this review: ***Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities.***

***Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities***, on page 31 of the 2020 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 are required to submit a plan of energy efficiency and water conservation that conforms to the rules, codes and standards implemented by the Construction Section of the Division of Health Service Regulation. The plan must be consistent with the applicant’s representation in the written statement as described in paragraph one of Policy GEN-4. The plan shall not adversely affect patient or resident health, safety or infection control.”*

The proposed capital expenditure for this project is greater than \$5 million; therefore, Policy GEN-4 is applicable to this review. In Section B, pages 18-19, the applicants explain why it believes its application is consistent with Policy GEN-4. On page 18, the applicants state the facility will be constructed “...to utilize the latest technologies to assure maximum energy efficiency. ...to allow for fulfillment of the 2020 SMFP’s Policy GEN-4....”

## **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 based on the following:

- The applicants do not propose to develop any new health service facility beds, services or equipment for which there is a need determination in the 2020 SMFP.
- The applicants adequately demonstrate that the proposal is consistent with Policy GEN-4 based on the following:
  - The applicants adequately demonstrate that the application includes a written statement describing the project's plan to assure improved 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, ... persons [with disabilities], the elderly, and other underserved groups are likely to have access to the services proposed.

## C

The applicants propose to relocate no more than 29 undeveloped ACH beds from Guilford House which is a change of scope for Project ID #G-11496-18 (relocate 29 ACH beds) and 11 ACH beds from Holden Heights to develop a new 40 bed ACH facility.

## **Patient Origin**

On page 205, the 2020 SMFP defines the service area for ACH beds as "*the county in which the adult care home bed is located.*" Guilford Senior Living is proposed to be located in Guilford County, thus, the service area for this project is Guilford County. Facilities may also serve residents of counties not included in their service area.

Guilford Senior Living is a proposed facility and has no historical patient origin to report. In Section C, page 23, the applicants provide historical patient origin data for Guilford House and Holden Heights, noting that the 29 ACH beds being relocated from Guilford House are undeveloped and not in use and the 11 ACH beds being relocated from Holden Heights are largely underutilized, due to that facility struggling to achieve facility-wide utilization higher than 85% in the past few years. The applicants state that they are providing historical patient

origin data from both facilities as it is expected that if the 29 ACH beds had been developed at Guilford House and if the 11 ACH beds had actually been utilized at Holden Heights, these 40 ACH beds would have drawn residents/patients from the same counties as the residents residing at Guilford House and Holden Heights.

**Historical Patient Origin-ACH Beds-FFY2019-Guilford House**

County	Third Full FFY (10/01/2018 – 09/30/2019)	
	# Pts.	% of Total
Guilford	21	47.73%
Other/Unknown	12	27.27%
Person	4	9.09%
Mecklenburg	3	6.82%
Forsyth	2	4.55%
Wake	1	2.27%
Chatham	1	2.27%
<b>Total</b>	<b>44</b>	<b>100.00%</b>

**Historical Patient Origin-ACH Beds-FFY2019-Holden Heights**

County	Third Full FFY (10/01/2018 – 09/30/2019)	
	# Pts.	% of Total
Guilford	40	74.07%
Forsyth	5	9.26%
Other/Unknown	2	3.70%
Person	2	3.70%
Rockingham	2	3.70%
Burke	1	1.85%
Caswell	1	1.85%
Randolph	1	1.85%
<b>Total*</b>	<b>54</b>	<b>100.00%</b>

The following table illustrates projected patient origin for the facility.

**Guilford Senior Living Projected Patient Origin**

COUNTY	THIRD FULL FFY (10/01/2028 – 09/30/2029)	
	# PTS.	% OF TOTAL
Guilford	29	75%
Forsyth	4	10%
Davidson	2	6%
Randolph	1	3%
Other/Unknown	2	6%
<b>Total*</b>	<b>38</b>	<b>100%</b>

Source: Section C page 24

In Section C, pages 24-30, the applicants provide the assumptions and methodology used to project patient origin. The applicants' assumptions are reasonable and adequately supported based on the following:

- The applicants analyzed existing patient origin data from existing ACH facilities within Guilford County to project patient origin.
- The applicants narrowed their analysis of the existing Guilford County ACH facilities to those facilities within a five-mile radius of the proposed facility location and determined that the majority of the ACH residents were Guilford County residents.
- The applicants analyzed the impact of access and location in determining where to locate the proposed facility and the potential impact that location would have on potential ACH residents and the family members who would visit the ACH residents.
- The applicants considered possible reasons for outmigration from Guilford County for ACH residents and determined that a new facility with affordable, available and desirable beds would best serve Guilford County residents who need ACH services.

### **Analysis of Need**

In Section C, pages 30-46, the applicants explain why they believe this application, a Change of Scope for Project ID #G-11496-18 is necessary for the following reasons:

- In Project ID #G-11496-18, the Agency approved the relocation of 29 ACH beds from Wellington Oaks in Greensboro to Guilford House, also in Greensboro. Both facilities were and are existing and operational. A certificate of need was issued for that project on August 28, 2018. In Section C, pages 46-47, the applicants state they discovered the land and the existing facility, Guilford House, to which the 29 ACH beds were approved to relocate, could not accommodate the necessary facility additions and renovations contemplated when the application was filed and approved. The applicants state this proposal combines the 29-bed relocation approved in Project ID #G-11496-18 with a proposal to relocate 11 existing ACH beds from another facility, Holden House, to develop a state-of-the-art ACH facility that proposes to serve Guilford County residents.
- Existing ACH beds in Guilford County – The applicants state the 2020 SMFP projects a 531 ACH bed surplus in 2023 for Guilford County; however, the surplus is based on numbers alone, which do not accurately reflect the reality that existing ACH beds in the county are unavailable, unappealing or unaffordable to most residents. The applicants state most of the facilities are older and the existing beds are semi-private, which does not appeal to current ACH residents. (See pages 30-32).
- Growing senior population in Guilford County – The applicants state that over the past three years, 86% of the available ACH beds in Guilford county have been occupied by residents who are 65 and over, while 68% of the available ACH beds in the county have been occupied by residents over the age of 75. The applicants cite data from the North Carolina Office of State Budget and Management (NCOSBM) that shows the population of people aged 65 and over in Guilford County is projected to increase at a

higher rate than the general population; and the population group age 75 and above is projected to increase at an even faster rate between 2019 - 2029. This is the population group most likely to utilize ACH services. This projected growth in the older population cohorts in the county is juxtaposed to the reported decrease in ACH bed utilization in Guilford County over the past four years, according to the applicants. The applicants state this utilization decrease is a result of the facility age and the semi-private, generally unappealing condition of the facility beds because of their outdated design. (See pages 32-37).

- ACH bed availability in the county - The applicants state that ACH beds in Guilford County are available on paper only, for the reasons stated in pages 32-37. The applicants state the existing ACH beds in the county report a utilization rate that does not accurately reflect demand, because the semi-private rooms are often occupied by private residents. Therefore, the utilization of a facility would appear to be low because not all of the “available” beds are being utilized. (See pages 37-38).
- The need for appealing ACH beds that are affordable to Medicaid/Special Assistance residents – the applicants provide more detail that supports the current available ACH beds are unappealing, outdated and unaffordable to residents in the county. The applicants describe a *High Utilization* model versus a *High Price* model of ACH facilities, stating that a *High Price* model caters more to private pay residents and ignores the needs of those residents who depend on Medicaid/Special Assistance for their ACH services. The applicants state the county needs more *High Utilization* model ACH facilities, which cater to all residents and more effectively serves those residents who depend on Medicaid/Special Assistance. The applicants will design Guilford Senior Living as a *High Utilization* model and open more of the beds to those Guilford County residents who rely on Medicaid/Special Assistance. (See pages 39-44).
- Local Support – the applicants state there is local support from Guilford County residents, clinicians and physicians for the proposed 40-bed ACH facility and provides letters of support in Exhibit C.4. (See pages 45-46).

The information is reasonable and adequately supported based on the following:

- The applicants demonstrate that the 11 existing ACH beds will serve a population in Guilford County that needs those beds.
- The applicants demonstrate that the 29 previously approved but undeveloped ACH beds will serve a population in Guilford County that needs those beds.
- The applicants demonstrate that the ACH beds proposed to be developed in this application are needed in the area of the county in which they are proposed.
- The applicants demonstrate that the ACH beds proposed to be developed in this application will offer available, appealing and affordable ACH options to Guilford County residents.
- The applicants provide documentation of community support for the proposed project.

Projected Utilization

In Section Q, Form C the applicants provide projected utilization for the first three fiscal years (FY) of operation for the proposed facility, as shown in the table below:

	PROJECTED		
	FY 2027 (10/1/26-9/30/27)	FY 2028 (10/1/27-9/30/28)	FY 2029 (10/1/28-9/30/29)
# General ACH Beds	40	40	40
Days of Care	10,357	14,274	14,235
Occupancy Rate	70.9%	97.8%	97.5%

In Section Q, the applicants provide the assumptions and methodology used to project utilization, as summarized below:

- The applicants documented the utilization of new construction ACH facilities managed by the same management company as this facility will be, focusing on those facilities with a similar bed capacity and those facilities that opened after 2014.
- The applicants calculated a “fill rate” by subtracting average occupancy for one month from average occupancy from the prior month. This “fill rate”, based on actual experience, was used to project occupancy.
- The applicants explained how they applied the fill rate to project utilization at the proposed facility.
- The applicants explained historical growth rate patterns in existing Guilford County ACH facilities and how those historical patterns could project utilization at the proposed facility.

Projected utilization is reasonable and adequately supported based on the following:

- The applicants relied on and adequately explains the historical experience of the management company in developing new ACH facilities similar in size as the proposed facility.
- The applicants relied on historical data of existing ACH facilities in the service area and to project utilization at the proposed facility.
- The applicants’ utilization projections are supported by the historical and projected growth and aging of the Guilford County population, particularly for older patient populations.

**Access to Medically Underserved Groups**

In Section C, page 52, the applicants state the facility will admit all persons without regard to race, color, creed, age, national origin, handicap, sex or payment source. In supplemental

information requested by the Agency, the applicants provide the estimated percentage for each medically underserved group for the third full federal fiscal year of operation following project completion, as shown in the following table:

MEDICALLY UNDERSERVED GROUPS	PERCENTAGE OF TOTAL PATIENTS
Low income persons*	25.0%
Racial and ethnic minorities	44.0%
Women	52.7%
Persons with Disabilities	100.0%
The elderly	86.0%
Medicare beneficiaries	--%
Medicaid recipients*	--%

\*The applicant states this group includes Medicaid and State/County Special Assistance.

The applicants state the estimates for “Persons with disabilities” is based on the definition of “*Disability Status*” in the U.S. Census QuickFacts, which includes those in need of assisted living services. Therefore, the applicants state, they expect 100% of the residents of the community to be “*persons with disabilities.*” In addition, with regard to “other underserved groups”, the applicants state they expect the proposed facility to serve members “*of all underserved groups at rates similar to those at which members of these groups appear in the county*”.

The applicants adequately describe the extent to which all residents of the service area, including underserved groups, are likely to have access to the proposed services.

### **Conclusion**

The Agency reviewed the:

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



- (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, ... persons [with disabilities], and other underserved groups and the elderly to obtain needed health care.

C

The applicants propose to relocate no more than 29 undeveloped ACH beds from Guilford House which is a change of scope for Project ID #G-11496-18 (relocate 29 ACH beds) and 11 ACH beds from Holden Heights to develop a new 40 bed ACH facility.

The applicants were found conforming to this Criterion with regard to the 29 beds approved to be relocated from Guilford House, and do not propose any changes in this application that would affect that determination. In Section D, page 58, the applicants explain why they believe the needs of the population presently utilizing the services to be relocated from Holden Heights will be adequately met following relocation of the 11 ACH beds from Holden Heights. On page 58, the applicants state:

*“The 11 ACH beds that the Applicants [sic] seek to relocate from Holden Heights have also been largely unutilized for the past 5 years. As previously explained, Holden Heights is an ACH facility with 96 licensed beds, but it traditionally only fills approximately 76 of those 96 beds, for an average utilization of approximately 79%. Holden Heights struggles with achieving higher utilization due to its old floorplan – there are 96 beds but only 48 units/resident rooms, meaning that every single room in the facility is a semi private or double occupancy room. ... As such, the Applicants [sic] seek to relocate 11 of these ACH beds to the new proposed Project, allowing Holden Heights to retool its floorplan to and allow for the creation of 11 private units, while at the same time assisting the facility to achieve higher utilization (with a maximum licensed capacity of 85 residents, the average census of 76 residents results in utilization of approximately 89%).”*

The information is reasonable and adequately supported based on the following:

- The historical experience of the applicants’ management company with relocating ACH beds in similar projects in North Carolina.
- The fact that the 11 ACH beds that are to be relocated from Holden House are currently underutilized and will be put to better use at the proposed facility.

In Section Q, page 109, the applicants provide historical utilization for Holden House, from which the 11 ACH beds are proposed to be relocated. The applicants do not provide a table to illustrate projected utilization of the beds that will remain at the facility following the proposed relocation; however, the applicants explain how historical utilization at Holden House has been low because the outdated facility has only semi-private rooms, which are no longer desirable.

Therefore, the applicants state the occupancy levels are an inaccurate representation of utilization, because those semi-private rooms are being used as private, single-occupancy rooms. The applicants state 76 of the 98 “available” beds are occupied. With the relocation of 11 of those beds, the applicants state on page 58:

*“... the Applicants seek to relocate 11 of these ACH beds to the new proposed Project, allowing Holden Heights to retool its floorplan to and allow for the creation of 11 private units, while at the same time assisting the facility to achieve higher utilization (with a maximum licensed capacity of 85 residents, the average census of 76 residents results in utilization of approximately 89%).”*

Projected utilization is reasonable and adequately supported based on the following:

- The applicants account for the needs of the ACH population in Guilford County by acknowledging the undesirability of Holden House as it is currently configured.
- The applicants propose a solution to what has recently been lower utilization at Holden House by proposing a relocation of existing beds such that the residents who choose to receive ACH services at Holden House and who desire a private, single-occupancy room will have their needs met.
- The applicants propose a solution at Holden House that will meet the needs of the existing ACH residents who desire a semi-private room.

### **Access to Medically Underserved Groups**

In Section D, page 60, the applicants state that Holden Heights will continue to serve those ACH residents who rely on Medicaid/Special Assistance and those with financial need. Additionally, the applicants state ACH facilities managed by ALG Senior, LLC will continue to serve all persons, regardless of racial or ethnic background, religion, or any other “*personal or cultural characteristic*”.

The applicants adequately demonstrate that the needs of medically underserved groups that will continue to use the ACH beds at Holden Heights will be adequately met following completion of the project for the reasons stated above.

### **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 following reasons:

- The applicants adequately demonstrate that the needs of the population currently using the services to be relocated will be adequately met following project completion for all the reasons described above.
  - The applicants adequately demonstrate that the project will not adversely impact the ability of underserved groups to access these services following project completion for all the reasons described above
- (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 propose to relocate no more than 29 undeveloped ACH beds from Guilford House which is a change of scope for Project ID #G-11496-18 (relocate 29 ACH beds) and 11 ACH beds from Holden Heights to develop a new 40 bed ACH facility.

In Section E, pages 61-64, the applicants describe the alternatives they considered and explain why each alternative is either more costly or less effective than the alternative proposed in this application to meet the need. The alternatives considered were:

- Relocate the 29 previously approved ACH beds elsewhere in Guilford County – the applicants determined that relocating the 29 beds approved for development in Project ID #G-11496-18 to another location in Guilford County is not a feasible alternative because a freestanding 29-bed ACH facility would not be financially feasible from a financial and debt-service perspective, given the costs of construction and the number of beds it would take to develop a financially feasible ACH facility. Therefore, this was not a reasonable alternative.
- Relocate the 29 previously approved ACH beds to an existing ACH facility – the applicants determined that it would not be possible to construct an addition that could accommodate 29 new ACH beds in the other Guilford County ACH facilities that ALG Senior, LLC manages. The applicants state ALG Senior, LLC manages Holden Heights and Wellington Oaks, both of which are older facilities and unable to reasonably accommodate 29 additional ACH beds on the existing footprint, floorplan or available acreage. Therefore, this was not a reasonable alternative.
- Leave the 11 ACH beds proposed to be relocated from Holden Heights at the Holden Heights facility – the applicants determined that it would not be feasible to leave the 11 beds proposed to be relocated at Holden Heights, because the facility will continue to experience low utilization since current demand is for private rooms and Holden Heights has semi private rooms.
- Relocate the 11 ACH beds from Holden Heights to another Guilford County facility – the applicants determined that it would not be possible to construct an addition that could accommodate 11 new ACH beds in the other Guilford County ACH facilities that ALG Senior LLC manages. The applicants state ALG Senior, LLC manages

Guilford House and Wellington Oaks, both of which are older construction and unable to reasonably accommodate 11 additional ACH beds on the existing footprint, floorplan or available acreage. Therefore, this was not a reasonable alternative.

On page 64, the applicants state that its proposal is the most effective alternative because this proposal will allow for relocation of currently undeveloped ACH beds to a new, efficient facility that will provide high quality and affordable ACH services to residents of High Point and Guilford County.

The applicants provide supporting documentation in Exhibit C.4.

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

- The application is conforming to all statutory and regulatory review criteria.
- The applicants provide credible information that explains why they believe the proposed project is the most reasonable alternative.

### **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 approved subject to the following conditions:

- 1. High Point Opco, LLC and High Point Propco, LLC (hereinafter the certificate holders) shall materially comply with all representations made in the certificate of need application.**
- 2. The certificate holders shall relocate no more than 29 undeveloped ACH beds from Guilford House which is a change of scope for Project ID #G-11496-18 (relocate 29 ACH beds) and 11 ACH beds from Holden Heights to develop a new 40-bed ACH facility, Guilford Senior Living.**
- 3. Upon completion of the project, Guilford Senior Living shall be licensed for no more than 40 ACH beds.**
- 4. Progress Reports:**
  - a. Pursuant to G.S. 131E-189(a), the certificate holders shall submit periodic progress reports on the progress being made to develop the project consistent with the timetable and representations made in the application on the Progress Report form provided by the Healthcare**

**Planning and Certificate of Need Section.** The form is available online at: <https://info.ncdhhs.gov/dhsr/coneed/progressreport.html>.

- b. The certificate holders shall complete all sections of the Progress Report Form.
  - c. The certificate holders shall describe in detail all steps taken to develop the project since the last progress report and should include documentation to substantiate each step taken as available.
  - d. Progress reports shall be due on the first day of every fourth month. The first progress report shall be due on September 1, 2021. The second progress report shall be due on March 1, 2022 and so forth.
5. The certificate holder shall certify at least 12.5% of the total number of adult care home beds in the facility for recipients of State/County Special Assistance with Medicaid and provide care to those residents, commensurate with representations made in the application.
  6. For the first two years of operation following completion of the project, Guilford Senior Living 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, the certificate holders 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. The certificate holders shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Agency in writing prior to issuance of the certificate of need.
- (5) Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial feasibility of the proposal, based upon reasonable projections of the costs of and charges for providing health services by the person proposing the service.

The applicants propose to relocate no more than 29 undeveloped ACH beds from Guilford House which is a change of scope for Project ID #G-11496-18 (relocate 29 ACH beds) and 11 ACH beds from Holden Heights to develop a new 40 bed ACH facility.

**Capital and Working Capital Costs**

In Section Form F.1a, the applicants project the total capital cost of the project, as shown in the table below:

Site Costs*	\$1,225,000
Construction Costs	\$3,592,875
Miscellaneous Costs	\$1,125,000
<b>Total</b>	<b>\$5,942,875</b>

\*Site costs include purchase price of land, closing costs and site preparation costs.

In Section F, page 65 the applicant provides the assumptions used to project the capital cost.

The applicants adequately demonstrate that the projected capital cost is based on reasonable and adequately supported assumptions because in Exhibit K-3, the applicants provide an architect cost estimate that documents the construction costs.

In Section F.3, page 66, the applicants state the start-up expenses for the project are included in the initial operating expenses. In Section F, page 67 the applicants project that project that initial operating expenses will be \$491,671.42, which is the projected total working capital costs. On page 67, the applicants provide the assumptions and methodology used to project the working capital needs of the project. The applicants adequately demonstrate that the projected working capital needs of the project are based on reasonable and adequately supported assumptions because it is based on the applicants’ related entities’ experience in developing similar projects in North Carolina.

**Availability of Funds**

In Section F, page 65, the applicants state that the capital cost for the project will be funded as shown in the table below:

Type	High Point Opco, LLC	High Point Propco, LLC	Total
Loans	\$	\$5,942,875	\$5,942,875
Accumulated reserves or OE*	\$	\$	\$
Bonds	\$	\$	\$
Other (Specify)	\$	\$	\$
<b>Total Financing</b>	<b>\$</b>	<b>\$5,942,875</b>	<b>\$5,942,875</b>

\*OE = Owner’s Equity

In Section F, page 67, the applicants provide a table to illustrate that there will be a loan taken out for the working capital cost for the project, but do not indicate which entity will incur the obligation. In Exhibit F.3, the applicants provide evidence that the initial operating expenses, which comprises the working capital for the project, will be funded as shown in the table below:

<b>Sources of Working Capital Financing</b>			
<b>Type</b>	<b>High Point Opco, LLC</b>	<b>High Point Propco, LLC</b>	<b>Total</b>
Loans	\$491,671.42	\$	\$491,671.42
Accumulated reserves or OE *	\$	\$	\$
Bonds	\$	\$	\$
Other (Specify)	\$	\$	\$
<b>Total Financing</b>	<b>\$491,671.42</b>	<b>\$</b>	<b>\$491,671.42</b>

\*OE = Owner's Equity

In Exhibit F.2, the applicants provide an August 31, 2020 letter signed by the Managing Director of Locust Point Capital Bank that confirms the bank's willingness to provide financing in the amount of \$5,942,875 for the capital needs of the project. In Exhibit F.3, the applicants provide an August 31, 2020 letter signed by the Managing Director of Locust Point Capital Bank that confirms the bank's willingness to provide financing in the amount of \$491,671.42 for the working capital needs of the project. The applicants adequately demonstrate the availability of sufficient funds for the capital and working capital needs of the project based on the following:

- The applicants provide a capital cost funding letter from Locust Point Capital Bank that documents funding for the capital cost of the project in Exhibit F.2
- The applicants provide a capital cost funding letter from Locust Point Capital Bank that documents funding for the working capital of the project in Exhibit F.3

**Financial Feasibility**

The applicants provided pro forma financial statements for the first three full fiscal years of operation following completion of the project. In Form 5, the applicant project that revenues will exceed operating expenses in the second and third operating years of the project, as shown in the table below:

	<b>1<sup>ST</sup> FULL FISCAL YEAR</b>	<b>2<sup>ND</sup> FULL FISCAL YEAR</b>	<b>3<sup>RD</sup> FULL FISCAL YEAR</b>
Total Days of Care	10,357	14,274	14,235
Total Gross Revenues (Charges)	\$1,218,824	\$1,725,636	\$1,725,636
Total Net Revenue	\$1,206,635	\$1,708,380	\$1,708,380
Average Net Revenue per Day of Care	\$116.50	\$119.68	\$120.01
Total Operating Expenses (Costs)	\$1,593,282	\$1,680,654	\$1,677,912
Average Operating Expense per Day of Care	\$153.84	\$117.74	\$117.87
Net Income (loss)	\$(386,647)	\$27,726	\$30,468

Numbers may not sum due to rounding by Project Analyst

The assumptions used by the applicant in preparation of the pro forma financial statements are provided in Section Q. The applicants adequately demonstrate that the financial feasibility of the proposal is reasonable and adequately supported based on the following:

- The applicant accounts for projected operating expenses, such as salaries, consistent with projections elsewhere in the application.
- Projected utilization is based on reasonable and adequately supported assumptions. See the discussion regarding projected utilization in Criterion (3) which is incorporated herein by reference.

### **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 based on the following:

- The applicants adequately demonstrate that the capital and working capital costs are based on reasonable and adequately supported assumptions.
  - The applicants adequately demonstrate availability of sufficient funds for the capital and working capital needs of the proposal.
  - The applicants adequately demonstrate sufficient funds for the operating needs of the proposal and that the financial feasibility of the proposal is based upon reasonable projections of costs and charges.
- (6) The applicant shall demonstrate that the proposed project will not result in unnecessary duplication of existing or approved health service capabilities or facilities.

### C

The applicants propose to relocate no more than 29 undeveloped ACH beds from Guilford House which is a change of scope for Project ID #G-11496-18 (relocate 29 ACH beds) and 11 ACH beds from Holden Heights to develop a new 40 bed ACH facility.

On page 205, the 2020 SMFP defines the service area for ACH beds as “*the county in which the adult care home bed is located.*” Thus, the service area for this project is Guilford County. Facilities may also serve residents of counties not included in their service area.

Table 11A on pages 217-218 of the 2020 SMFP lists 28 ACH facilities and three nursing facilities with ACH beds, for a total of 2,064 licensed ACH beds in Guilford County.



**GUILFORD COUNTY 2020 SMFP ACH BED INVENTORY**

FACILITY	# OF ACH BEDS	COUNTY OCCUPANCY RATE
Abbotswood at Irving Park Assisted Living	28	
Alpha Concord of Greensboro	64	
Arbor Care Assisted Living <sup>1</sup>	92	
Blumenthal Nursing & Rehabilitation Center	20	
Brighton Gardens of Greensboro	125	
Brookdale High Point	82	
Brookdale High Point North	65	
Brookdale High Point North AL	102	
Brookdale Lawndale Park	118	
Brookdale Northwest Greensboro	81	
Brookdale Skeet Club	79	
Carriage House Senior Living Community	108	
Clapp's Assisted Living	30	
Countryside Manor Inc.	16	
Elm Villa <sup>2</sup>	18	
Guilford House	60	
Heartland Living & Rehab @ The Moses H. Cone Memorial Hospital	37	
Holden Heights	96	
Lawson's Adult Enrichment Center	18	
Long's Rest Home for the Aged	12	
Maple Grove Health and Rehabilitation Center	40	
Morningview at Irving Park	105	
Piedmont Christian Home	93	
Richland Place	70	
Spring Arbor of Greensboro	100	
St. Gales Estates	60	
The Arboretum at Heritage Green <sup>3</sup>	48	
The Crossings at Greensboro <sup>4</sup>	0	
The Elms at Abbotswood	48	
Verra Springs at Heritage Greens	45	
Wellington Oaks <sup>5</sup>	114	
Westchester Harbor	90	
<b>Total</b>	<b>2,064</b>	<b>66.63%</b>

**Source: Tables 11A and 11C, pages 217-218 and 239, respectively of the 2020 SMFP**

<sup>1</sup>The 92 ACH beds are approved to relocate to The Crossings at Greensboro.

<sup>2</sup>This facility is closed and the 18 beds are approved to relocate to The Arboretum at Heritage Green.

<sup>3</sup>The 48 beds do not include the 18 approved to relocate.

<sup>4</sup>92 beds are approved to relocate from Arbor Care Assisted Living.

<sup>5</sup>29 of these beds are approved to relocate to Guilford House.

In Section G, pages 71-72, the applicants explain why they believe their proposal would not result in the unnecessary duplication of existing or approved ACH bed services in Guilford County. The applicants state that the beds proposed to be relocated are existing ACH beds and are accounted for in the Guilford County ACH bed planning inventory in the 2020 SMFP, although the beds are not yet developed. Developing these previously approved ACH beds as proposed in this change of scope application will result in actual availability of these beds for

Guilford County residents in need of ACH services; therefore, the project will not result in unnecessary duplication of existing or approved ACH beds in the county.

The applicants adequately demonstrate 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 would not result in an increase in ACH beds in Guilford County.
- The applicants adequately demonstrate that ACH beds that were previously approved for development in the county would now be actually available to Guilford County residents.

### **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, the applicants provides projected full-time equivalent (FTE) staffing for the proposed services, as illustrated in the following table:

POSITION	PY 1	PY 2	PY 3
	10/1/26-9/30/27	10/1/27-9/30/28	10/1/28-9/30/29
Registered Nurse	0.5	0.5	0.5
Aides	10.4	11.3	11.2
Staff Development Coordinator	1.0	1.0	1.0
Clerical	1.3	1.4	1.4
Dietary	4.7	4.8	4.7
Activities	0.8	0.8	0.8
Transportation	0.6	0.6	0.6
Laundry and Linen	0.6	0.6	0.6
Housekeeping	1.6	106	1.6
Plant Operation and Maintenance	0.8	0.9	0.9
Administration	1.0	1.0	1.0
<b>TOTAL</b>	<b>23.3</b>	<b>24.4</b>	<b>24.3</b>

The assumptions and methodology used to project staffing are provided in Section Q. Adequate operating expenses 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 73-74, the applicant describes the methods to be used to recruit or fill new positions and their existing training and continuing education programs.

The applicants adequately demonstrate the availability of adequate health manpower and management personnel to provide the proposed services because the applicants based their projections on the operating costs of similarly sized healthcare center staffing for related companies.

**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.

- (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.

The applicants propose to relocate no more than 29 undeveloped ACH beds from Guilford House which is a change of scope for Project ID #G-11496-18 (relocate 29 ACH beds) and 11 ACH beds from Holden Heights to develop a new 40 bed ACH facility.

### **Ancillary and Support Services**

In Section I, pages 75-76, the applicants describe the efforts undertaken to establish relationships with local ancillary and support service providers and provide letters of support from providers in Exhibits C.1 and C.4. Exhibit C.1 documents support from providers of food services and pharmacy services. Exhibit C.4 documents support from providers of the following ancillary and support services are necessary for the proposed services:

- Primary and urgent care
- Rehabilitation services
- Home and home care
- Mental health support

The applicants adequately demonstrate that the necessary ancillary and support services will be made available at the proposed facility.

### **Coordination**

Although the proposed facility will be a new construction, the applicants and their related entities are experienced in developing and constructing ACH facilities in Guilford County and in North Carolina. In Section I, the applicants describe their efforts to develop relationships with other local health care and social service providers and provide supporting documentation in Exhibit C.4. The applicants adequately demonstrate that the proposed services will be coordinated with the existing health care system based on their experience in developing similar facilities and their existence in Guilford County.

### **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 all the reasons described above.

- (9) An applicant proposing to provide a substantial portion of the project's services to individuals not residing in the health service area in which the project is located, or in adjacent health service areas, shall document the special needs and circumstances that warrant service to these individuals.

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

- (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

Neither applicant is 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 propose to relocate no more than 29 undeveloped ACH beds from Guilford House which is a change of scope for Project ID #G-11496-18 (relocate 29 ACH beds) and 11 ACH beds from Holden Heights to develop a new 40 bed ACH facility.

In Section K, page 80 the applicants states that the project involves constructing 20,245 square feet of new space. Line drawings and a location map are provided in Exhibit K.1.

On pages 80-82, the applicants adequately explain how the cost, design and means of construction represent the most reasonable alternative for the proposal. The applicants provide an architect's cost estimate in Exhibit K.3.

On page 82, the applicants adequately explain why the proposal will not unduly increase the costs to the applicants of providing the proposed services or the costs and charges to the public for the proposed services.

On page 78, the applicants identify any applicable energy saving features that will be incorporated into the construction plans.

On pages 83-84, the applicants identify the proposed site and provide information about the current owner, zoning and special use permits for the site, and the availability of water, sewer and waste disposal and power at the site. The applicants provides supporting documentation in Exhibit K.4.

### **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.

(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 ... persons [with disabilities], which have traditionally experienced difficulties in obtaining equal access to the proposed services, particularly those needs identified in the State Health Plan as deserving of priority. For the purpose of determining the extent to which the proposed service will be accessible, the applicant shall show:

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

### C

In Section L, page 85, the applicants state the 29 beds proposed to be relocated are not yet developed and thus do not serve any residents. Holden Heights is the facility from which 11 existing, licensed but unutilized beds will be relocated. On page 87, the applicants provide historical payor mix information during FFY 2019 from Holden Heights and Guilford House, for the proposed services as shown in the table below.

**Guilford House Payor Source 8/1/18 – 7/31/19**

PAYOR SOURCE	# PT. DAYS	% OF TOTAL
Private Pay	12,607	62.32%
County Assistance	7,623	37.68%
<b>Total</b>	<b>20,230</b>	<b>100.00%</b>

**Holden Heights Payor Source 8/1/18 – 7/31/19**

PAYOR SOURCE	# PT. DAYS			% OF TOTAL		
	General	SCU	Total ACH	General	SCU	Total ACH
Private Pay	2,922	1,461	4,383	10.57%	5.28%	10.60%
County Assistance	15,511	7,756	23,267	56.10%	28.05%	89.38%
<b>Total</b>	<b>18,433</b>	<b>9,217</b>	<b>27,650</b>	<b>66.67%</b>	<b>33.33%</b>	<b>100.00%</b>

In Section L, pages 86-87, the applicants provide the following comparison from Guilford House and Holden Heights:

Guilford House	Percentage of Total Patients Served by New Hanover House during the Last Full FY	Percentage of the Population of the Service Area
Female	27.3%	52.7%
Male	72.7%	47.3%
Unknown	0.0%	0.0%
64 and Younger	3.4%	85.5%
65 and Older	96.6%	15.5%
American Indian	0.0%	0.8%
Asian	1.1%	5.3%
Black or African-American	14.8%	35.4%
Native Hawaiian or Pacific Islander	1.1%	0.1%
White or Caucasian	69.3%	56.0%
Other Race	0.0%	3.12%
Declined / Unavailable	13.6%	0.0%

Holden Heights	Percentage of Total Patients Served by New Hanover House during the Last Full FY	Percentage of the Population of the Service Area
Female	17.5%	52.7%
Male	82.5%	47.3%
Unknown	0.0%	0.0%
64 and Younger	2.5%	85.5%
65 and Older	97.5%	15.5%
American Indian	0.0%	0.8%
Asian	0.0%	5.3%
Black or African-American	13.8%	35.4%
Native Hawaiian or Pacific Islander	0.0%	0.1%
White or Caucasian	78.8%	56.0%
Other Race	0.0%	3.12%
Declined / Unavailable	7.5%	0.0%

**Conclusion**

The Agency reviewed the:

- application, and
- exhibits to the application.

Based on that review, the Agency concludes that the application documents the extent to which medically underserved populations currently use the applicants' existing services in comparison to the percentage of the population in the applicants' 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 ... persons [with disabilities] 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 88, the applicants state that they are not obligated to provide uncompensated care, community service, or access by minorities and persons with disabilities.

In Section L, page 88, the applicants state that during the last five years, there have been no patient civil rights access complaints filed against Holden Heights or Guilford House, or any similar facilities owned by the applicants 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

In Section L, page 89, the applicants projects the following payor mix for the proposed services during the third full fiscal year of operation following completion of the project, as shown in the table below:



**Guilford Senior Living Projected Payor Source 10/1/26-9/30/27**

<b>PAYOR SOURCE</b>	<b># PT. DAYS</b>	<b>% OF TOTAL</b>
Private Pay	12,456	87.5%
County Assistance	1,779	12.5%
<b>Total</b>	<b>14,235</b>	<b>100.0%</b>

As shown in the table above, during the third full fiscal year of operation, the applicants projects that 87.5% of total services will be provided to private pay patients and 12.5% to County Assistance patients.

In Section L, page 88 the applicants provide the assumptions and methodology used to project payor mix during the first three full fiscal years of operation following completion of the project. The projected payor mix is reasonable and adequately supported based on the following:

- The projected payor mix is based on the historical payor mix adjusted for future expectations.
- The applicants incorporate the experience of its management group, Affinity Living Group in its projections.

### **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.

- (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, page 89, the applicants adequately describe the range of means by which patients will have access to the proposed services.

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, page 90, the applicants describe the extent to which area health professional training programs will have access to the facility for training purposes. The applicants adequately demonstrate that health professional training programs in the area will have access to the facility for training purposes based on the following:

- The applicants provide documentation of existing health professional training programs in the area for which it already provides access at the existing Guilford House.
- The applicants states they will continue to provide access to the new proposed facility and seek additional training and professional programs with which to affiliate the proposed facility.

**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 that the application is conforming to this criterion for all the reasons described above.

In Section M, page 85, the applicants describe the extent to which area health professional training programs will have access to the facility for training purposes.

**Conclusion**

The Agency reviewed the:

- application, and
- exhibits to the application.

Based on that review, the Agency concludes that the applicants adequately demonstrate that the proposed services will accommodate the clinical needs of area health professional training programs, and therefore, the application is conforming to this criterion

**Conclusion**

The Agency reviewed the:

- application, and
- exhibits to the application.

Based on that review, the Agency concludes that the applicants adequately demonstrate that the proposed services will accommodate the clinical needs of area health professional training programs, and therefore, the application is conforming to this criterion.

- (15) Repealed effective July 1, 1987.
  - (16) Repealed effective July 1, 1987.
  - (17) Repealed effective July 1, 1987.
  - (18) Repealed effective July 1, 1987.
- (18a) The applicant shall demonstrate the expected effects of the proposed services on competition in the proposed service area, including how any enhanced competition will have a positive impact upon the cost effectiveness, quality, and access to the services proposed; and in the case of applications for services where competition between providers will not have a favorable impact on cost-effectiveness, quality, and access to the services proposed, the applicant shall demonstrate that its application is for a service on which competition will not have a favorable impact.

## C

The applicants propose to relocate no more than 29 undeveloped ACH beds from Guilford House which is a change of scope for Project ID #G-11496-18 (relocate 29 ACH beds) and 11 ACH beds from Holden Heights to develop a new 40 bed ACH facility.

On page 205, the 2020 SMFP defines the service area for ACH beds as “*the county in which the adult care home bed is located.*” Thus, the service area for this project is Guilford County. Facilities may also serve residents of counties not included in their service area.

Table 11A on pages 217-218 of the 2020 SMFP lists 28 ACH facilities and three nursing facilities with ACH beds, for a total of 2,064 licensed ACH beds in Guilford County.

**GUILFORD COUNTY 2020 SMFP ACH BED INVENTORY**

FACILITY	# OF ACH BEDS	COUNTY OCCUPANCY RATE
Abbotswood at Irving Park Assisted Living	28	
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Clapp's Assisted Living	30	
Countryside Manor Inc.	16	
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Guilford House	60	
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Morningview at Irving Park	105	
Piedmont Christian Home	93	
Richland Place	70	
Spring Arbor of Greensboro	100	
St. Gales Estates	60	
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The Crossings at Greensboro <sup>4</sup>	0	
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Wellington Oaks <sup>5</sup>	114	
Westchester Harbor	90	
<b>Total</b>	<b>2,064</b>	<b>66.63%</b>

**Source: Tables 11A and 11C, pages 217-218 and 239, respectively of the 2020 SMFP**

<sup>1</sup>The 92 ACH beds are approved to relocate to The Crossings at Greensboro.

<sup>2</sup>This facility is closed and the 18 beds are approved to relocate to The Arboretum at Heritage Green.

<sup>3</sup>The 48 beds do not include the 18 approved to relocate.

<sup>4</sup>92 beds are approved to relocate from Arbor Care Assisted Living.

<sup>5</sup>29 of these beds are approved to relocate to Guilford House.

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 91, the applicants state:

*“The proposed project ... will also allow for additional ACH placement option within Guilford County – especially for Medicaid/Special Assistance recipients – and increase choices for area seniors.”*

Regarding the impact of the proposal on cost effectiveness, in Section N, page 91, the applicants state:

*“The proposed project anticipates offering rates that are very competitive to those surrounding facilities, while still being within a reasonable range for private pay residents, allowing the facility to maintain excellent utilization.”*

The applicants provide a table that compares rates of existing Guilford County ACH facilities located within 20 miles of the proposed facility with the proposed rates for Guilford Senior Living, to illustrate the proposed effect on competition. See the following table, from pages 91-92 of the application:

FACILITY NAME	GUILFORD SENIOR LIVING	COMPETITOR 1	COMPETITOR 2	COMPETITOR 3	COMPETITOR 4	COMPETITOR AVERAGE
		BROOKDALE SKEET CLUB	CARRIAGE HOUSE SENIOR LIVING COMMUNITY	GUILFORD HOUSE	KERNER RIDGE ASSISTED LIVING <sup>1</sup>	
Base Rate – AL Minimum	\$2,900	\$3,300	\$2,900	\$3,225	\$2,450	\$2,969
Base Rate – AL Maximum	\$3,975	\$4,135	\$6,050	\$3,993	\$2,450	\$4,157

\*LRA = License Renewal Application

<sup>1</sup>This facility is located in Kernersville, Forsyth County. The applicants state it is relevant to this comparison because it is within 20 miles of the proposed facility.

See also Sections C, F, and Q of the application and any exhibits.

Regarding the impact of the proposal on quality, in Section N, page 92, the applicants state:

*“...the Applicants [sic] propose to build the proposed Project [sic] to the highest standards..., as well as the projected costs and income.... The Applicants will also provide Quality Assurance (‘QA’) Services in an effort to adhere to ‘best practices’ in the industry and exceed resident expectation.”*

See also Sections C and O of the application and any exhibits.

Regarding the impact of the proposal on access by medically underserved groups, in Section N, pages 92-93, the applicants state:

*...all persons will be admitted to the facility without regard to their race, color, creed, age, national origin, handicap, sex, or source of payment.*

...

*The Applicants [sic] intend that Guilford Senior Living will provide excellent service to many residents who are members of underprivileged or minority groups that are traditionally underserved.”*

See also Sections L and C of the application and any exhibits.

The applicants adequately describe the expected effects of the proposed services on competition in the service area and adequately demonstrate the proposal would have a positive impact on cost-effectiveness, quality, and access because they adequately demonstrate the following:

- 1) The need the population to be served has for the proposal, the proposal would not result in an unnecessary duplication of existing and approved health services, and the reasonableness of projected revenues and operating costs which collectively results in a cost-effective proposal.
- 2) The quality of the care to be provided based on the applicants' representations about how it will ensure the quality of the proposed services.
- 3) Medically underserved groups will have access to the proposed services based on the applicants' representations about access by medically underserved groups and the projected payor mix.

### **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 based on the reasons and analysis 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.3 the applicants identify the adult care homes and nursing facilities located in North Carolina owned, operated or managed by the applicants or a related entity. The applicants identify a total of 88 facilities located in North Carolina.

In Exhibit O.3, the applicants state that, during the 18 months immediately preceding the submittal of the application, incidents related to quality of care occurred in 21 of these facilities. In Section L, page 95, the applicants state that all of the problems have been corrected. According to the files in the Adult Care Licensure Section, DHSR, during the 18 months immediately preceding submission of the application through the date of this decision, incidents related to quality of care occurred in 21 of these facilities. After reviewing and considering information provided by the applicants and by the Adult Care Home Licensure and Certification Section and considering the quality of care provided at all of the applicants' facilities, the applicants provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion

(21) Repealed effective July 1, 1987.

G.S. 131E-183 (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 applicants do not propose to add nursing facility beds to an existing facility.

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

-NA- The applicants do 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.*

-NA- The applicants do not propose to add adult care home beds to an existing facility.

- (d) *An applicant proposing to establish a new adult care home facility or add adult care home beds to an existing facility shall not be approved unless occupancy is projected to be at least 85 percent for the total number of adult care home beds proposed to be operated, no later than two years following the completion of the proposed project. All assumptions, including the specific methodologies by which occupancies are projected, shall be stated.*
- C- In Section Q, on Form C, the applicants project that the proposed facility will have an occupancy rate of at least 85 percent by the end of the second operating year following project completion. The applicants provide the assumptions and methodology to project utilization in Sections C and Q. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference