

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: November 19, 2021

Findings Date: November 19, 2021

Project Analyst: Mike McKillip

Co-Signer: Gloria C. Hale

Project ID #: J-12098-21

Facility: Searstone Retirement Community-Brittany Place

FID #: 070130

County: Wake

Applicant: Samaritan Housing Foundation, Inc.

Project: Add no more than 29 adult care home beds pursuant to Policy LTC-1 and 24 nursing facility beds pursuant to Policy NH-2 for a total of no more than 49 nursing facility beds and 43 adult care home beds upon project completion

REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

G.S. 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

Samaritan Housing Foundation, Inc. (hereinafter referred to as “the applicant”), proposes to add no more than 29 adult care home beds pursuant to Policy LTC-1 and 24 nursing facility beds pursuant to Policy NH-2 for a total of no more than 49 nursing facility beds and 43 adult care home beds upon project completion. The healthcare facility, Searstone Retirement Community-Brittany Place [**Brittany Place**], is part of a continuing care retirement community (CCRC).

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 2021 State Medical Facilities Plan (SMFP). Therefore, there are no need determinations applicable to this review.

Policies

There are three policies in the 2021 SMFP which are applicable to this review: *Policy NH-2: Plan Exemption for Continuing Care Retirement Communities*, *Policy LTC-1: Plan Exemption for Continuing Care Retirement Communities-Adult Care Home Beds* and *Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities*.

Policy NH-2: Plan Exemption for Continuing Care Retirement Communities

Policy NH-2, on pages 22-23 of the 2021 SMFP, states:

“Qualified continuing care retirement communities may include from the outset or add or convert bed capacity for nursing care without regard to the nursing care bed need shown in Chapter 10: Nursing Care Facilities. To qualify for such exemption, applications for certificates of need shall show that the proposed nursing care bed capacity:

- 1. Will only be developed concurrently with or subsequent to construction on the same site of facilities for both of the following levels of care:*
 - a. independent living accommodations (apartments and homes) for people who are able to carry out normal activities of daily living without assistance; such accommodations may be in the form of apartments, flats, houses, cottages and rooms;*
 - b. licensed adult care home beds for use by people who, because of age or disability, require some personal services, incidental medical services and room and board to assure their safety and comfort.*
- 2. Will be used exclusively to meet the needs of people with whom the facility has continuing care contracts (in compliance with the North Carolina Department of Insurance statutes and rules) who have lived in a non-nursing unit of the continuing care retirement community for a period of at least 30 days. Exceptions shall be allowed when one spouse or sibling is admitted to the nursing unit at the time the other spouse or sibling moves into a non-nursing unit, or when the medical condition requiring nursing care was not known to exist or be imminent when the individual became a party to the continuing care contract.*
- 3. Reflects the number of nursing care beds required to meet the current or projected needs of residents with whom the facility has an agreement to provide continuing care after making use of all feasible alternatives to institutional nursing care.*

4. *Will not be certified for participation in the Medicaid program.*

One hundred percent of the nursing care beds developed under this exemption shall be excluded from the inventory and the occupancy rate used to project nursing care bed need for the general population. Certificates of need issued under policies analogous to this policy in the North Carolina State Medical Facilities Plans subsequent to the 1985 State Medical Facilities Plan are automatically amended to conform to the provisions of this policy at the effective date of this policy. Certificates of need awarded pursuant to the provisions of Chapter 920 Session Laws 1983 or Chapter 445, Session Laws 1985 shall not be amended.”

In Section B.7, pages 25-26, the applicant states the project will meet all requirements of Policy NH-2 including: 1) the proposed beds will be developed on the same site as the independent living units and adult care home beds, 2) the beds will be used exclusively by people with whom the applicant has a continuing care contract, 3) the proposed number of beds will be used to meet the need of residents with whom the facility has an agreement and 4) the beds will not be certified for Medicaid participation. Therefore, the application is consistent with Policy NH-2.

Policy LTC-1: Plan Exemption for Continuing Care Retirement Communities – Adult Care Home Beds

Policy LTC-1, on page 24 of the 2021 SMFP, states:

“Qualified continuing care retirement communities may include from the outset or add or convert bed capacity for adult care without regard to the adult care home bed need shown in Chapter 11: Adult Care Homes. To qualify for such exemption, applications for certificates of need shall show that the proposed adult care home bed capacity:

1. *Will only be developed concurrently with, or subsequent to, construction on the same site of independent living accommodations (apartments and homes) for people who are able to carry out normal activities of daily living without assistance; such accommodations may be in the form of apartments, flats, houses, cottages, and rooms.*
2. *Will provide for the provision of nursing service, medical services or other health related services as required for licensure by the North Carolina Department of Insurance.*

3. *Will be used exclusively to meet the needs of people with whom the facility has continuing care contracts (in compliance with the North Carolina Department of Insurance statutes and rules) who have lived in a non-nursing or adult care unit of the continuing care retirement community for a period of at least 30 days. Exceptions shall be allowed when one spouse or sibling is admitted to the adult care home unit at the time the other spouse or sibling moves into a non-nursing or adult care unit, or when the medical condition requiring nursing or adult care home care was not known to exist or be imminent when the individual became a party to the continuing care contract.*
4. *Reflects the number of adult care home beds required to meet the current or projected needs of residents with whom the facility has an agreement to provide continuing care after making use of all feasible alternatives to institutional adult care home care.*
5. *Will not participate in the Medicaid program or serve State-County Special Assistance recipients.*

One hundred percent of the adult care home beds developed under this exemption shall be excluded from the inventory used to project adult care home bed need for the general population. Certificates of need issued under policies analogous to this policy in the North Carolina State Medical Facilities Plans subsequent to the North Carolina 2002 State Medical Facilities Plan are automatically amended to conform with the provisions of this policy at the effective date of this policy.”

In Section B.11, pages 27-28, the applicant states the proposed project will meet all requirements of Policy LTC-1 including: 1) the proposed beds will be developed on the same site as the independent living units, 2) the residents will benefit from a continuum of care due to the offering of both ACH and NF beds, 3) the proposed number of ACH beds will be exclusively used by people with whom the applicant has a continuing care contract, 4) the proposed ACH beds reflect the number required to meet the needs of the facility and 5) the proposed beds will not be certified for the Medicaid or State-County Special Assistance programs. Therefore, the application is consistent with Policy LTC-1.

Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities

Policy GEN-4, on page 29 of 2021 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 for 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.12, pages 29-30, the applicant provides responses that adequately address all requirements of Policy GEN-4. Therefore, the application is consistent with Policy GEN-4.

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 reasons:

- The applicant does not propose to develop any beds, services or equipment for which there is a need determination in the 2021 SMFP.
- The applicant adequately demonstrates the proposal is consistent with Policy NH-2 based on the following reasons:
 - The applicant adequately documents a plan for developing the proposed NF beds on the same site as the independent living (IL) units and ACH beds.
 - The applicant adequately documents a plan for developing the proposed NF beds to be used exclusively by people with whom the facility has a continuing care contract.
 - The applicant adequately documents the number of NF beds required to meet the current and projected needs of residents with whom the facility has an agreement.
 - The applicant adequately documents that the proposed additional NF beds will not be certified for participation in the Medicaid program.
- The applicant adequately demonstrates the proposal is consistent with Policy LTC-1 based on the following reasons:
 - The applicant adequately documents a plan for developing the proposed ACH beds on the same site as the IL units.

- The applicant adequately documents a plan for developing the proposed ACH beds to be used exclusively by people with whom the facility has a continuing care contract.
 - The applicant adequately documents the number of ACH beds required to meet the current and projected needs of residents with whom the facility has an agreement.
 - The applicant adequately documents that the proposed ACH beds will not be certified for participation in the Medicaid program or State-County Special Assistance program.
- The applicant adequately demonstrates that the proposal includes a plan for energy efficiency and water conservation and is consistent with Policy GEN-4.
- (2) Repealed effective July 1, 1987.
- (3) The applicant shall identify the population to be served by the proposed project, and shall demonstrate the need that this population has for the services proposed, and the extent to which all residents of the area, and, in particular, low income persons, racial and ethnic minorities, women, handicapped persons, the elderly, and other underserved groups are likely to have access to the services proposed.

C

The applicant proposes to add no more than 29 adult care home beds pursuant to Policy LTC-1 and 24 nursing facility beds pursuant to Policy NH-2 for a total of no more than 49 nursing facility beds and 43 adult care home beds upon project completion.

Patient Origin

On page 143, the 2021 SMFP states, *“A nursing home bed’s service area is the county in which the bed is located. Each of the 100 counties in the state is a separate service area.”* On page 175, the 2021 SMFP states, *“An adult care home bed’s service area is the county in which the adult care home bed is located. Each of the 100 counties is a separate service area.”* The existing nursing facility to be expanded, Brittany Place, is located in Wake County. Thus, the service area for this facility is Wake County. Facilities may also serve residents of counties not included in their service area.

In Section C.2, page 31, the applicant states that 100 percent of patients in the existing NF and ACH beds at the facility were from the 27513 Cary ZIP Code Area in Wake County in CY2020. The applicant states, *“Because Searstone’s ACH units and NF beds are restricted to Searstone’s continuing care population, all of Searstone’s ACH and NF residents come from Searstone’s ZIP code, 27513.”*

In Section C.3, pages 32-33, the applicant projects 100 percent of patients to be admitted to the proposed NF and ACH beds at the facility will be from Wake County in the first three full fiscal years of operation (CY2024-CY2026). On page 33, the applicant states that all of the patients to be admitted to the proposed beds will originate from the independent living resident population.

The applicant's assumptions are reasonable and adequately supported because they are based on the historical utilization of the existing NF and ACH beds at the facility, and on the Policy NH-2 and Policy LTC-1 requirements that the beds be restricted to residents with whom the facility has a contract.

Analysis of Need

In Section C.3, page 32, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services as follows:

“Actuarial assumptions, industry norms and the experience of the management firm were included in the bed complement determination. Refer to Exhibit B.11.d for the ‘Executive Summary’ of two actuarial studies conducted (one for campus as of 12/31/20 and one for the expansion project). The actuarial studies recommend a need for 93.2 total healthcare beds to support both the current and expansion independent living community. Searstone has refined its scope to meet the needs of the independent living community size and determined the proposed scope in the application to be appropriate.”

Exhibit B.11 contains two separate actuarial studies that project the healthcare beds that would be needed to serve the populations in independent living units of the Searstone CCRC. In supplemental information requested by the Agency, the applicant states,

“The first [actuarial study] covers the existing 169-unit independent living resident population and the second covers the proposed 152-unit independent living resident population. ... To get to 93.2 healthcare beds needed as noted in the application, we took the sum of the maximum beds needed as presented in Tables 2 and 3 from each study (pages 7 and 15). ... For the current existing community unit study (first study in the exhibit), Table 2 shows the projected utilization of ACH and SNF beds to have a maximum need of 49.2 total healthcare beds. The proposed expansion actuarial study shows a maximum projected utilization of ACH and SNF beds equal to 44 beds. Considering the community as a whole, to support the population within the existing independent living units and the proposed independent living expansion, the actuarial studies project a maximum need of 93.2 healthcare beds (49.2 + 44).”

In Exhibit B.11, with regard to the need for the proposed services, the applicant states,

“The scope of our study consisted of: (1) development of updated population projections based on the current demographic characteristics of the resident population and the assumptions used in the financial model for Searstone; (2) development of projected statements of cash flows and actuarial balance sheet; and (3) preparation of an actuarial pricing analysis. This comprehensive actuarial study and review was performed under the guidelines contained in the American Academy of Actuaries’ Actuarial Practice Number 3, ‘Issues Relating to Life plan Retirement Communities. ... In order to perform the actuarial analysis, we projected first generation residents and subsequent residents through various levels of care until move-out or death. The rates using permanent and temporary nursing transfers, deaths

and withdrawals were developed Continuing Care Actuaries' demographic database for CCRC residents. This database comprises over 600,000 CCRC residential life-years of demographic experience. The database assumptions used in this analysis reflect experience of communities similar to SearStone."

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

- The projections are based on its historical utilization experience at Brittany Place and the projected population growth in the proposed service area.
- The proposed ratio of independent living units to NF and ACH beds is supported by established actuarial study guidelines.

Projected Utilization

In Section Q, the applicant provides projected utilization for Brittany Place, as summarized below.

Brittany Place Projected Utilization			
	1ST FULL OY CY2024	2ND FULL OY CY2025	3RD FULL OY CY2026
NF Beds			
# of Beds	49	49	49
Patient Days	9,953	11,334	12,537
Occupancy Rate	55.6%	63.4%	70.1%
ACH Beds			
# of Beds	43	43	43
Patient Days	6,665	8,274	9,678
Occupancy Rate	42.5%	52.7%	61.7%

Source: Section Q, Form C1.b

In Section C.5, page 36, the applicant states the health service facility bed utilization was established based on a conservative fill-up schedule informed by actuarial analyses and management's experience and expectations.

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

- Projected utilization is based upon historical utilization of existing NF and ACH beds at the Brittany Place facility.
- Applicant's projected utilization of the proposed NF and ACH beds is supported by established actuarial study guidelines for resident populations in continuing care retirement communities.

Access

In Section C.6, page 38, the applicant states, *"Searstone will not participate in the Medicaid program and will only provide ACH and NF services to its continuing care resident population*

at Searstone. Searstone, as a not-for-profit organization, does provide adult care and nursing home services to its residents even if they run out of money.”

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

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

NA

The applicant does not propose to reduce a service, eliminate a service or relocate a facility or service. Therefore, Criterion (3a) is not applicable to this review.

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

CA

The applicant proposes to add no more than 29 adult care home beds pursuant to Policy LTC-1 and 24 nursing facility beds pursuant to Policy NH-2 for a total of no more than 49 nursing facility beds and 43 adult care home beds upon project completion.

In Section E, page 48, the applicant states there are no alternatives less costly or more effective than the alternative proposed in this application to meet the need. The applicant states,

“The expansion of the ACH and NF facilities are due primarily to support a concurrent expansion of the available Independent Living units at Searstone. The incremental ACH and NF beds will only be filled by those within the continuum of care at the CCRC. The amount of beds needed are based on actuarial projections, industry norms, and management input. Searstone previously had too few ACH and NF beds available to its residents, when it initially opened, and was required to send continuing care residents off-site to other ACH and NF providers; this was not desirable by staff or residents. The proposed ACH and NF expansion will prevent that circumstance occurring again.”

Based on the explanations above, the applicant states that its proposal is the most effective alternative.

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

- The application is conforming or conditionally conforming to all statutory and regulatory review criteria.
- The applicant provides reasonable information to explain why it believes the proposed project is the most effective 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. Samaritan Housing Foundation, Inc. (hereinafter, the certificate holder) shall materially comply with all representations made in the certificate of need application.**
- 2. The certificate holder shall develop no more than 24 additional nursing facility (NF) beds pursuant to Policy NH-2 and no more than 29 additional adult care home (ACH) beds pursuant to Policy LTC-1, for a total of no more than 49 NF beds and 43 ACH beds at Brittany Place upon project completion.**
- 3. The Policy NH-2 nursing facility beds shall not be certified for participation in the Medicaid program.**

- 4. The Policy NH-2 nursing facility beds shall be used exclusively to meet the needs of persons with whom the facility has continuing care contracts (in compliance with the Department of Insurance statutes and regulations) who have lived in a non-nursing unit of the continuing care facility for a period of at least 30 days. Exceptions shall be allowed when one spouse or sibling is admitted to the nursing unit at the time the other spouse or sibling moves into a non-nursing unit, or when the medical condition requiring nursing care was not known to exist or be imminent when the individual became a party to the continuing care contract.**
- 5. The new Policy NH-2 nursing facility beds shall be developed on the same site with the independent living units and licensed adult care home beds.**
- 6. The Policy LTC-1 ACH beds shall not participate in the Medicaid program or serve State-County Special Assistance recipients.**
- 7. The Policy LTC-1 adult care home beds shall be used exclusively to meet the needs of persons with whom the facility has continuing care contracts (in compliance with the Department of Insurance statutes and regulations) who have lived in a non-nursing unit of the continuing care facility for a period of at least 30 days. Exceptions shall be allowed when one spouse or sibling is admitted to the nursing unit at the time the other spouse or sibling moves into a non-nursing unit, or when the medical condition requiring nursing care was not known to exist or be imminent when the individual became a party to the continuing care contract.**
- 8. The new Policy LTC-1 adult care home beds shall be developed on the same site with the independent living units.**
- 9. Progress Reports:**
 - a. Pursuant to G.S. 131E-189(a), the certificate holder shall submit periodic 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 holder shall complete all sections of the Progress Report form.**
 - c. The certificate holder 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 May 1, 2022. The second progress report shall be due on September 1, 2022 and so forth.**
- 10. No later than three (3) 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, the certificate holder 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.

11. The certificate holder shall develop and implement an Energy Efficiency and Sustainability Plan for the project that conforms to or exceeds energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes.

12. The certificate holder shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Agency in writing prior to issuance of the certificate of need.

- (5) Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial feasibility of the proposal, based upon reasonable projections of the costs of and charges for providing health services by the person proposing the service.

C

The applicant proposes to add no more than 29 adult care home beds pursuant to Policy LTC-1 and 24 nursing facility beds pursuant to Policy NH-2 for a total of no more than 49 nursing facility beds and 43 adult care home beds upon project completion.

Capital and Working Capital Costs

In Section Q, Form F.1a, the applicant projects the following capital cost of the project, as shown in the table below:

Projected Capital Cost	
Site Preparation	\$1,033,228
Construction/Renovation Contract	\$15,981,642
Landscaping	\$125,000
Architect/Engineering Fees	\$645,000
Medical Equipment	\$50,000
Furniture	\$650,000
Consultant Fees	\$652,293
Financing Costs	\$3,015,704
Interest During Construction	\$3,649,642
Other (licenses/fees/permits)	\$839,380
Total	\$26,641,889

The applicant adequately demonstrates that the projected capital cost is based on reasonable and adequately supported assumptions based on the information provided in Section Q, Form F.1a.

In Section F.3, pages 50-51, the applicant projects start-up costs will be \$154,000 and initial operating expenses will be \$1,892,780 for a total working capital of \$2,046,780. On page 51, the applicant provides the assumptions and methodology used to project the working capital needs of the project. The applicant adequately demonstrates that the projected working capital needs of the project are based on reasonable and adequately supported assumptions based on the information provided in Section F.3, pages 50-51.

Availability of Funds

In Section F.2, page 49, the applicant states that the capital costs will be funded as shown in the table below.

Type	
Loans	
Accumulated reserves or OE *	
Bonds	\$26,641,889
Other (Specify)	
Total Financing	\$26,641,889

* OE = Owner's Equity

In Section F.3, page 52, the applicant states that the working capital costs will be funded as shown in the table below.

Type	
Loans	
Accumulated reserves or OE *	\$1,892,780
Bonds	\$154,000
Other (Specify)	
Total Financing	\$2,046,780

* OE = Owner's Equity

In Exhibit F.2, the applicant provides a July 9, 2021 letter from a Managing Principal for Herbert J. Sims & Company, Inc. expressing the company's intention to serve as underwriter for a bond issue on behalf of Samaritan Housing Foundation, Inc. to fund the capital and working capital costs of the project. The applicant adequately demonstrates the availability of sufficient funds for the capital and working capital needs of the project based on the documentation provided in Section F and Exhibit F.2, as described above.

Financial Feasibility

The applicant provides pro forma financial statements for the first three (3) full fiscal years of operation following completion of the project. In Form F.2b, the applicant projects revenue will exceed operating expenses in the first three full fiscal operating years of the project for entire Searstone CCRC, including IL units, NF beds and ACH beds, as summarized in the table below.

Searstone CCRC (IL, NF, ACH)	1ST FULL OY CY2024	2ND FULL OY CY2025	3RD FULL OY CY2026
Gross Revenue	\$22,415,568	\$28,863,903	\$31,547,984
Net Revenue	\$22,415,568	\$28,863,903	\$31,547,984
Total Operating Expenses	\$8,508,854	\$9,412,118	\$10,509,380
Net Income	\$13,906,714	\$19,451,785	\$21,038,604

The assumptions used by the applicant in preparation of the pro forma financial statements are provided in Section Q, Forms F.2b, F.3a and b, and F.4. The applicant adequately demonstrates that the financial feasibility of the proposal is reasonable and adequately supported based on the following:

- Charges and expenses are based on historical facility operations projected forward.
- Employee FTEs and salaries are based on current staffing.
- 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 for the following reasons:

- The applicant adequately demonstrates that the capital and working capital costs are based on reasonable and adequately supported assumptions.
- The applicant adequately demonstrates availability of sufficient funds for the capital and working capital needs of the proposal.
- The applicant adequately demonstrates sufficient funds for the operating needs of the proposal and that the financial feasibility of the proposal is based upon reasonable projections of costs and charges.

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

C

The applicant proposes to add no more than 29 adult care home beds pursuant to Policy LTC-1 and 24 nursing facility beds pursuant to Policy NH-2 for a total of no more than 49 nursing facility beds and 43 adult care home beds upon project completion.

On page 143, the 2021 SMFP states, “A nursing home bed’s service area is the county in which the bed is located. Each of the 100 counties in the state is a separate service area.” On page 175, the 2021 SMFP states, “An adult care home bed’s service area is the county in which the adult care home bed is located. Each of the 100 counties is a separate service area the service area for adult care home beds.” The existing nursing facility to be expanded, Brittany Place, is located in Wake County. Thus, the service area for this facility is Wake County. Facilities may also serve residents of counties not included in their service area.

On pages 162-163 of the 2021 SMFP, Table 10A documents that there is a total of 31 existing or approved facilities in Wake County that offer or will offer nursing care bed services. The table below is a summary of those 31 facilities in Wake County, from the 2021 SMFP, Chapter 10, Table 10A (pages 162-163) and Table 10C (page 171). There is a projected surplus of 160 nursing care beds in 2024 for Wake County.

2020 NH INVENTORY AND 2024 NEED PROJECTIONS FOR WAKE COUNTY	
# Facilities with NH Beds	31
# Beds in Hospitals	157
# Beds in Nursing Facilities	2,433
Total # Licensed Beds	2,590
# CON Approved Beds (License Pending)	123
# CON Bed Relocations	47
Total # NF Beds Available	2,760
Total # NF Beds in Planning Inventory	2,391
Projected Bed Utilization with Vacancy Factor*	2,231
Projected Bed Surplus (Deficit)	160

*Calculated by dividing Projected Bed Utilization by 95%.

Table 10C of the 2021 SMFP shows that the occupancy rate for Wake County nursing facility beds available to the general population is 83.4%. The applicant is applying for additional nursing care beds pursuant to Policy NH-2. The proposed nursing care beds would serve only residents of the CCRC with whom the applicant has a contract. Thus, the utilization of other Wake County nursing facilities and nursing care beds is not relevant to this review.

On pages 201-203 of the 2021 SMFP, Table 11A documents that there is a total of 45 existing or approved facilities in Wake County that offer or will offer ACH services. The table below is a summary of those 45 facilities in Wake County, from the 2021 SMFP, Chapter 11, Table

11A (pages 201-203) and Table 11C (page 211). There is a projected surplus of 1,521 ACH beds in 2024 for Wake County.

2020 ACH INVENTORY AND 2024 NEED PROJECTIONS FOR WAKE COUNTY	
# Facilities with ACH Beds	45
# Beds in Nursing Homes	165
# Beds in Adult Care Homes	3,076
Total # Licensed Beds	3,241
# CON Approved Beds (License Pending)	-40**
Total # ACH Beds in Planning Inventory	3,201
Projected Bed Utilization with Vacancy Factor*	1,680
Projected Bed Surplus (Deficit)	1,521

*Calculated by dividing Projected Bed Utilization by 95%.

**CON Bed Relocations

Table 11C of the 2021 SMFP shows that the occupancy rate for Wake County ACH beds available to the general population is 65.63%. The applicant is applying for additional adult care home beds pursuant to Policy LTC-1. The proposed ACH beds would serve only residents of the CCRC with whom the applicant has a contract. Thus, the utilization of other Wake County ACH facilities and ACH beds is not relevant to this review.

In Section G, page 57, the applicant explains why the proposal would not result in the unnecessary duplication of existing or approved NF services in Wake County. The applicant states:

“Searstone recently expanded its ACH and NF capacity in 2020 to accommodate future care needs of its existing independent living resident population. The proposed expansion described herein will provide capacity for the future care needs of Searstone’s expanded independent living community with its concurrently planned independent living expansion. ... [T]he proposed project will only serve those within the continuum of care at the CCRC and will not accept outside residents.”

The applicant adequately demonstrates that the proposed project will not result in an unnecessary duplication of the existing or approved services in Wake County for the following reasons:

- The applicant adequately documents that the additional NF beds and ACH beds will be used exclusively by people who already reside at the CCRC and with whom the applicant has continuing care contracts.
- The applicant adequately demonstrates that the proposed NF and ACH beds are needed.

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.

- (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

The applicant proposes to add no more than 29 adult care home beds pursuant to Policy LTC-1 and 24 nursing facility beds pursuant to Policy NH-2 for a total of no more than 49 nursing facility beds and 43 adult care home beds upon project completion.

In Section Q, Form H, the applicant provides current and projected full-time equivalent (FTE) staffing for the proposed services, as summarized below.

Brittany Place Current and Projected FTE Positions

STAFF POSITION	CURRENT STAFFING	OY 1 CY2024	OY 2 CY2025	OY 3 CY2026
Registered Nurses (RNs)	4	5.40	5.40	5.40
Licensed Practical Nurses (LPNs)	7	11.20	11.20	13.00
Certified Nurse Aides	11	21.00	21.00	26.00
Director of Nursing	1	1.00	1.00	1.00
Cooks	9	13.00	13.50	14.00
Dietary Aides	7	10.00	10.00	10.00
Social Worker	1	1.00	1.00	1.00
Activities Director	2	2.00	2.00	2.00
Housekeeping	8	12.90	12.90	13.40
Maintenance/Engineering	7	9.00	9.00	9.00
Administrator	2	2.00	2.00	2.00
Chief Operating Officer	1	1.00	1.00	1.00
Chief Financial Officer	1	1.00	1.00	1.00
Business Office	8	10.80	10.80	10.80
Security/Transportation	12	13.00	13.00	13.00
Other Food Service	5	5.00	5.00	5.00
Other Activity Staff	3	3.00	3.00	3.00
Other Activities Assistant	0	1.40	1.40	2.00
Total FTE Positions	89	123.70	124.20	132.60

Source: Form H in Section Q of the application

The assumptions and methodology used to project staffing are provided in Section Q, Form H. Adequate operating expenses for the health manpower and management positions proposed by the applicant are budgeted in the pro forma financial statements in Form F.3, which is found in Section Q. In Section H, pages 58-59, the applicant describes the methods used to recruit or fill new positions and its proposed training and continuing education programs.

The applicant adequately demonstrates the availability of adequate health manpower and management personnel for the provision of the proposed services based the information provided in Section H, pages 58-59, and Form H in Section Q, as described 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 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 applicant proposes to add no more than 29 adult care home beds pursuant to Policy LTC-1 and 24 nursing facility beds pursuant to Policy NH-2 for a total of no more than 49 nursing facility beds and 43 adult care home beds upon project completion.

Ancillary and Support Services

In Section I.1, the applicant identifies the necessary ancillary and support services for the proposed services. On pages 60-62, the applicant explains how each ancillary and support service will be made available. The applicant adequately demonstrates that the necessary ancillary and support services will be made available based on the information provided in Section I.1, pages 60-62, as described above.

Coordination

In Section I.2, page 62, the applicant describes its existing and proposed relationships with other local health care and social service providers. The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system based on the information provided in Section I.2, page 62, as described 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 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.

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 applicant proposes to add no more than 29 adult care home beds pursuant to Policy LTC-1 and 24 nursing facility beds pursuant to Policy NH-2 for a total of no more than 49 nursing facility beds and 43 adult care home beds upon project completion.

In Section K.1, page 65, the applicant states that the project involves construction of 59,301 square feet of space and renovation of 1,020 of existing space. Line drawings are provided in Exhibit K.1. In Section K.4, page 66, the applicant identifies the site as 17001 Searstone Drive in Cary, which is the existing Searstone CCRC site.

In Section K.3, the applicant adequately explains how the cost, design and means of construction represent the most reasonable alternative for the proposal based on the representations by the applicant that the purpose of the project to provide healthcare services for an expanding independent living population at the Searstone CCRC, and adding additional ACH and NF beds is the most reasonable alternative as the current Brittany Place is unequipped to handle the future population.

In Section K.3, the applicant adequately explains why the proposal will not unduly increase the costs to the applicant of providing the proposed services or the costs and charges to the public for the proposed services because the project is an expansion of facilities already in place, and there will be numerous efficiencies, including the fact that the sitework is primarily complete and staffing is already in place, and as the Brittany Place Healthcare Center is within Searstone's continuum of care, it will not unduly increase of costs or charges to the public for this expansion.

In Section B.12, pages 29-30, the applicant identifies 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 for all the reasons described above.

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

In Section L.1, page 68, the applicant provides the historical payor mix for NF and ACH beds at Brittany Place, which indicates that 100 percent of patients were private pay in CY2020.

In Section L.2, page 69, the applicant provides the following comparison.

	Percentage of Total Patients Served by the Facility or Campus during the Last Full Fiscal Year	Percentage of the Population of the Service Area*
Female	56.84%	51.40%
Male	43.16%	48.60%
Unknown	0.00%	N/A
64 and Younger	0.00%	88.00%
65 and Older	100.0%	12.00%
American Indian	0.00%	0.80%
Asian	3.42%	7.70%
Black or African-American	0.43%	21.00%
Native Hawaiian or Pacific Islander	0.43%	0.10%
White or Caucasian	95.73%	67.90%
Other Race	0.00%	2.50%
Declined / Unavailable	0.00%	N/A

*Percentages have been corrected by the Project Analyst.

The Agency reviewed the:

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

Based on that review, the Agency concludes that the applicant adequately documents the extent to which medically underserved populations currently use the applicant's existing services in comparison to the percentage of the population in the applicant's service area which is medically underserved. Therefore, the application is conforming to this criterion.

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

C

Regarding any obligation to provide uncompensated care, community service or access by minorities and persons with disabilities, in Section L.2, page 70, the applicant states it is under no obligation under any applicable federal regulations to provide

uncompensated care, community service, or access by minorities and handicapped persons.

In Section L.2(d), page 70, the applicant states that no civil rights access complaints have been filed against Brittany Place, which is the only nursing facility owned or operated by the applicant.

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 71, the applicant projects the payor mix for the ACH and NF patients at Brittany Place in the third year of the project (CY2026), as summarized in the table below.

Brittany Place Projected Payor Mix CY2026		
Payor Source	NF % Patient Days	ACH % Patient Days
Private Pay	100.0%	100.0%
Total	100.0%	100.0%

Policy NH-2 and Policy LTC-1 of the 2021 SMFP require the applicant to use the proposed additional NF and ACH beds exclusively to meet the needs of people with whom the facility has continuing care contracts and who have lived at the CCRC for at least 30 days. The policies also prohibit the applicant from participation in the Medicaid program and serving State-County Special Assistance recipients in the Policy NH-2 and Policy LTC-1 beds.

The projected payor mix is reasonable and adequately supported because the proposed Policy NH-2 NF beds and the Policy LTC-1 ACH beds are prohibited from participation in the Medicaid program or the State-County Special Assistance program.

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 Exhibit L.5, the applicant adequately describes the range of means by which patients will have access to 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.

- (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

The applicant proposes to add no more than 29 adult care home beds pursuant to Policy LTC-1 and 24 nursing facility beds pursuant to Policy NH-2 for a total of no more than 49 nursing facility beds and 43 adult care home beds upon project completion.

In supplemental information provided by the applicant, the applicant states,

“Searstone supports the experiential training and education for area health professionals at Brittany Place. Searstone is working with CareOne Health Training Institute in Raleigh, NC to serve as a clinical site for its in-training healthcare providers.”

The Agency reviewed the:

- Application
- Exhibits to the application
- Supplemental information requested by the Agency

Based on that review, the Agency concludes that the applicant adequately demonstrates that the proposed services will accommodate the clinical needs of 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.

NA

Policy NH-2 and Policy LTC-1 of the 2021 SMFP require the applicant to use the proposed additional NF and ACH beds exclusively to meet the needs of people with whom the facility has continuing care contracts and who have lived at the CCRC for at least 30 days. The policies also prohibit the applicant from participation in the Medicaid program and serving State-County Special Assistance recipients in the Policy NH-2 and Policy LTC-1 beds.

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

C

In Section O.1, page 75, the applicant states it does not own, operate or manage any other facilities located in North Carolina.

In Section O.6, page 76, the applicant states that, during the 18 months immediately preceding the submittal of the application, no incidents related to quality of care occurred in the Brittany Place facility.

According to the files in the Nursing Home Licensure and Certification Section, DHSR, Brittany Place does not participate in either the Medicare or Medicaid programs and is not subject to quality of care survey standards conducted by DHSR. After reviewing and considering information provided by the applicant and by the Nursing Home Licensure and Certification Section and considering the quality of care provided at the Brittany Place facility, the applicant provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

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

C

The applicant proposes to add no more than 29 adult care home beds pursuant to Policy LTC-1 and 24 nursing facility beds pursuant to Policy NH-2 for a total of no more than 49 nursing facility beds and 43 adult care home beds upon project completion.

The Criteria and Standards for Nursing Facility or Adult Care Home Services promulgated in 10A NCAC 14C .1100 are not applicable to this review because the nursing care beds to be added pursuant to Policy NH-2 and the ACH beds to be added pursuant to Policy LTC-1 are to be used exclusively to meet the needs of people with whom the facility has continuing care contracts who have lived in a non-nursing unit of the center for a period of at least 30 days.