

## REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA = Conforming as Conditioned

NC = Nonconforming

NA = Not Applicable

Decision Date: December 21, 2022

Findings Date: December 21, 2022

Project Analyst: Tanya M. Saporito

Co-Signer: Micheala Mitchell

Project ID #: G-12237-22

Facility: Lexington Health Care Center

FID #: 923306

County: Davidson

Applicant(s): Lexington Operator LLC

17 Cornelia Drive LLC

Project: Relocate no more than 10 NF beds from Piedmont Crossing to Lexington Health Care Center for a total of 100 NF beds and 10 ACH beds upon project completion

### 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.

NA

Lexington Operator LLC and 17 Cornelia Drive LLC, collectively referred to as “the applicant”, propose to relocate no more than 10 nursing facility (NF) beds from Piedmont Crossing, an existing Continuing Care Retirement Community (CCRC) with 114 NF beds and 20 Adult Care Home (ACH) beds to the Lexington Health Care Center (LHCC) in Davidson County. Lexington Health Care Center is an existing facility currently licensed for 90 NF beds and 10 ACH beds. Upon project completion, LHCC would be licensed for no more than 100 NF beds and 10 ACH beds, and Piedmont Crossing would be licensed for no more than 104 NF beds and 20 ACH beds.

The applicant does not propose to:

- Develop any beds or services for which there is a need determination in the 2022 SMFP
- Acquire any medical equipment for which there is a need determination in the 2022 SMFP
- Offer a new institutional health service for which there are any applicable policies in the 2022 SMFP

Therefore, Criterion (1) is not applicable to this review.

- (2) Repealed effective July 1, 1987.
- (3) The applicant shall identify the population to be served by the proposed project, and shall demonstrate the need that this population has for the services proposed, and the extent to which all residents of the area, and, in particular, low income persons, racial and ethnic minorities, women, persons with disabilities, the elderly, and other underserved groups are likely to have access to the services proposed.

C

The applicant proposes to relocate no more than 10 NF beds from Piedmont Crossing to LHCC in Davidson County. At project completion, LHCC would be licensed for no more than 100 NF beds and 10 ACH beds.

**Patient Origin**

On page 145, the 2022 SMFP defines the service area for NF beds as “*the county in which the bed is located.*” Thus, the service area for this facility consists of Davidson County. Facilities may also serve residents of counties not included in their service area.

The following table, from page 30, illustrates historical patient origin for calendar year (CY) 2021:

COUNTY	LEXINGTON HEALTH CARE CENTER HISTORICAL PATIENT ORIGIN CY 2021	
	PATIENTS	% OF TOTAL
Davidson	216	83.4%
Forsyth	17	6.5%
Guilford	20	7.9%
Rowan	4	1.4%
Mecklenburg	2	0.9%
<b>Total</b>	<b>259</b>	<b>100.0%</b>

\*Totals may not sum due to rounding.

In Section C, page 31, the applicant projects patient origin for the NF and ACH beds, as illustrated in the following tables:

**Lexington Health Care Center NF Beds Projected Patient Origin, CYs 2023-2025**

COUNTY	1 <sup>ST</sup> FULL FY CY 2023		2 <sup>ND</sup> FULL FY CY 2024		3 <sup>RD</sup> FULL FY CY 2025	
	# PTS.	% OF TOTAL	# PTS.	% OF TOTAL	# PTS.	% OF TOTAL
Davidson	209	83.4%	214	83.4%	214	83.4%
Forsyth	20	6.5%	17	6.5%	17	6.5%
Guilford	16	7.9%	20	7.9%	20	7.9%
Rowan	3	1.4%	4	1.4%	4	1.4%
Mecklenburg	2	0.9%	2	0.9%	2	0.9%
<b>Total</b>	<b>250</b>	<b>100.0%</b>	<b>257</b>	<b>100.0%</b>	<b>257</b>	<b>100.0%</b>

Numbers may not sum due to rounding

**Lexington Health Care Center ACH Beds Projected Patient Origin, CYs 2023-2025**

COUNTY	1 <sup>ST</sup> FULL FY CY 2023		2 <sup>ND</sup> FULL FY CY 2024		3 <sup>RD</sup> FULL FY CY 2025	
	# PTS.	% OF TOTAL	# PTS.	% OF TOTAL	# PTS.	% OF TOTAL
Davidson	8	66.7%	8	66.7%	8	66.7%
Forsyth	2	16.7%	2	16.7%	2	16.7%
Guilford	1	8.3%	1	8.3%	1	8.3%
Stanly	1	8.3%	1	8.3%	1	8.3%
<b>Total</b>	<b>12</b>	<b>100.0%</b>	<b>12</b>	<b>100.0%</b>	<b>12</b>	<b>100.0%</b>

Numbers may not sum due to rounding

The following table, from page 32, represents the projected patient origin for the entire facility:

**Lexington Health Care Center Entire Facility Projected Patient Origin, CYs 2023-2025**

COUNTY	1 <sup>ST</sup> FULL FY CY 2023		2 <sup>ND</sup> FULL FY CY 2024		3 <sup>RD</sup> FULL FY CY 2025	
	# PTS.	% OF TOTAL	# PTS.	% OF TOTAL	# PTS.	% OF TOTAL
Davidson	217	82.8%	222	84.7%	222	84.7%
Forsyth	22	8.4%	22	8.4%	22	8.4%
Guilford	17	6.5%	18	6.9%	18	6.9%
Rowan	3	1.1%	4	1.5%	4	1.5%
Mecklenburg	2	0.8%	2	0.8%	2	0.8%
Stanly	1	0.4%	1	0.4%	1	0.4%
<b>Total</b>	<b>262</b>	<b>100.0%</b>	<b>269</b>	<b>100.0%</b>	<b>269</b>	<b>100.0%</b>

Numbers may not sum due to rounding

In Section C, pages 31-32, the applicant provides the assumptions and methodology used to project its patient origin.

The applicant's assumptions are reasonable and adequately supported based on the following:

- The applicant assumes that the patient origin will reflect the facility's historical patient origin following the relocation of the 10 NF beds.

- The applicant states patient origin projections represent non-duplicated patients for both NF and ACH beds, which includes admissions, discharges and length of stay.
- The projections for NF beds in the first FY (CY 2023) represents “fill up” patient numbers and the second and third years remain constant, as a conservative projection.

### **Analysis of Need**

In Section C, pages 29-30, the applicant provides more detail regarding the scope of the project, as summarized below:

- The applicant states the existing facility would accommodate the relocated NF beds by converting existing private/single occupancy rooms to semi-private/double occupancy rooms, thus avoiding costly renovation (page 29).
- The existing facility has sufficient existing space to accommodate the conversion of rooms as well as expansion of common areas and will be in a position to serve a larger Medicaid population than is presently served (page 29).
- During the COVID-19 pandemic, the applicant was approved for a temporary increase in NF beds by conversion of existing ACH beds to NF beds. Thus, the applicant was temporarily licensed for 100 NF beds and zero ACH beds during the pandemic. This application proposes the permanent addition of 10 NF beds via relocation, and the return of the 10 ACH beds as existed prior to the COVID-19 pandemic (page 30).

In Section C, pages 32-33, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, as summarized below:

- The ten NF beds proposed to be relocated will come from Piedmont Crossing, an existing Continuing Care Retirement Community (CCRC) in Davidson County. The applicant states Piedmont Crossing occupancy levels have declined in recent years, likely because the CCRC business model targets a *‘life plan’* community, which is costly for residents (pages 32-33).
- The NF beds proposed to be relocated have not been occupied in many years; thus, relocating those beds to a nursing facility would increase access to NF beds for a broader population of residents who do not desire the type of life contract that a CCRC offers. Additionally, relocating the NF beds to Lexington Health Care Center would provide greater access to NF beds for the Medicaid population in the service area (page 33).
- The applicant examined population growth data for Davidson County from Environics Analytics and determined that the 65 + population, the group most likely to benefit from NF services, is projected to increase by 13.1% from 2022-2027 (page 33).

- The need specific to Lexington Health Care Center is shown by its historical waiting list and its occupancy levels during the COVID-19 pandemic, which the applicant states have remained higher than both the state and national average (page 33).
- The applicant states there is a high demand for NF services for Medicaid recipients. The proposal to relocate the NF beds proposed in this application would serve Medicaid beneficiaries in the service area (page 33).

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

- Lexington Health Care Center has historically had a waiting list for NF residents.
- The NF beds proposed to be relocated are not currently utilized, and the applicant proposes to relocate those beds to a well-utilized facility with a waiting list.
- The projected population growth of adults age 65+ in the service area.
- The applicant proposes to serve a large number of Medicaid recipients who need NF services.

Projected Utilization

In Section Q following Form C.1a, the applicant provides historical and projected utilization, as illustrated in the following table:

	LAST FULL FY	INTERIM FULL FY	1ST FULL FY	2 <sup>ND</sup> FULL FY	3 <sup>RD</sup> FULL FY
	CY 2021	CY 2022	CY 2023	CY 2024	CY 2025
<b>NF Beds</b>					
# of Beds	100*	90	100	100	100
# of Admissions	259	232	250	257	257
# of Patient Days	33,169	29,696	31,941	32,850	32,850
Average Length of Stay	128.1	128.0	128.0	127.8	127.8
Occupancy Rate	90.9%	90.4%	87.5%	90.0%	90.0%
<b>ACH Beds</b>					
# of Beds	0*	10	10	10	10
# of Admissions	0	12	12	12	12
# of Patient Days	0	3,103	3,103	3,103	3,103
Average Length of Stay	0	258.3	258.3	258.3	258.3
Occupancy Rate	0.0%	85.0%	85.0%	85.0%	85.0%

\*This number reflects the bed complement during the COVID-19 pandemic

In Section Q, in the pages entitled “*Lexington Health Care Center ... Significant Assumptions*” following the pro forma forms, the applicant provides the assumptions and methodology used to project utilization, which is summarized below.

- The applicant begins with the facility’s historical utilization data for the last full fiscal year, which reflects the temporary license for 100 NF beds and no ACH beds issued

during the COVID-19 pandemic. The applicant states the interim fiscal year includes 90 NF beds and ten ACH beds, consistent with the facility's historical experience.

- Historical occupancy for the prior full fiscal year was 90.9%.
- The applicant's fiscal year is a calendar year (January 1-December 31). Prior fiscal year data is based on annualized operations for June 2021-December 2021 due to a change of ownership for which the Agency issued an exemption in May 2021.
- The applicant calculates the interim full fiscal year based on annualized data as of April 30, 2022.
- The applicant assumes that, for the first full fiscal year, the additional ten NF beds will fill up at a rate of 1 resident every two weeks until the facility reaches 90% occupancy. In projecting occupancy, the applicant begins its projections after January 31, to reasonably account for application review time and issuance of the certificate of need.
- The first full fiscal year includes fill up of new beds, and the second and third full fiscal years are assumed constant, based on the facility's historical experience. The applicant assumes the additional NF beds will primarily serve Medicaid recipients.
- The applicant projects that the occupancy in the ACH beds will remain constant through the first three project years.
- The applicant assumes that, following the conversion of semi-private to private rooms for the NF beds, the facility will operate 100 NF beds and ten ACH beds.

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

- The applicant projects utilization based on the historical experience of the facility for both NF and ACH beds.
- The applicant accounts for the projected population growth in the service area and the need for additional NF bed capacity at the facility due to high demand.
- The applicant accounts for the temporary license issued during the COVID-19 pandemic and the conversion of the beds following expiration of that temporary license.

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

In Section C, page 35, the applicant states:

*“Lexington Health Care Center has an extensive history of serving the indigent/Medicaid population in Davidson County and the surrounding areas. Specifically, Lexington Health Care Center continually maintains a census consisting of over 60% Medicaid beneficiaries. Lexington Health Care Center accepts both direct admit Medicaid beneficiaries, as well as those patients that*

*transition to Medicaid after their Medicare benefit or Private Pay resources have lapsed.”*

In Section C, page 36, the applicant provides the estimated percentage for each medically underserved group, as shown in the following table:

MEDICALLY UNDERSERVED GROUPS	PERCENTAGE OF TOTAL PATIENTS
Low income persons	63%
Racial and ethnic minorities	22%
Women	61%
Persons with Disabilities	24%
The elderly	100%
Medicare beneficiaries	25%
Medicaid recipients	63%

Source: Application page 36

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 based on the following

- Lexington Health Care Center is an existing facility currently serving medically underserved groups.
- The applicant’s projections are based on historical and recent experiences at the 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 the application is conforming to this criterion 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.

The applicant proposes to relocate no more than 10 NF beds from Piedmont Crossing to LHCC in Davidson County. At project completion, LHCC would be licensed for no more than 100 NF beds and 10 ACH beds.

Piedmont Crossing is currently licensed for 114 NF beds. In Section C, page 29, the applicant states that the ten NF beds proposed to be relocated from Piedmont Crossing have been unoccupied for “*an extended period of time*” and would better serve Davidson County residents following the proposed relocation.

In Section D, page 43, the applicant explains why it believes the needs of the population presently utilizing the services to be relocated will be adequately met following completion of the project. On page 43, the applicant states:

*“The 10 NF beds ... are currently licensed at Piedmont Crossing, a licensed Continuing Care Retirement Community. ... no residents would be impacted by the relocation of these 10 NF beds. Piedmont Crossing has seen a decline in occupancy within the NF beds over the years, and the remaining 104 NF beds would be more than enough to accommodate the current and future needs of the residents at Piedmont Crossing.”*

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

- The proposal involves relocating NF beds from a facility in which the beds are currently unoccupied and have been unoccupied for some time.
- The proposal involves relocating beds from a facility that will continue to have sufficient bed capacity upon project completion.
- The beds will be relocated within Davidson County and will continue to meet the needs of NF residents, particularly Medicaid residents, in the county.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Supplemental information provided to the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion. The applicant adequately demonstrates that the needs of the population currently using the services to be reduced, eliminated or relocated will be adequately met 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.



The applicant proposes to relocate no more than 10 NF beds from Piedmont Crossing to LHCC in Davidson County. At project completion, LHCC would be licensed for no more than 100 NF beds and 10 ACH beds.

In Section E, pages 46-47, the applicant describes the alternatives it considered and explains 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:

- Maintain the Status Quo – The applicant states that maintaining the status quo is a less effective alternative because the proposed NF bed relocation will provide NF bed access within Davidson County to residents who do not currently have access.
- Relocate the ten NF beds to a new addition to Lexington Health Care Center – the applicant states this is a less effective alternative because construction would be more costly and less efficient than the proposed conversion of private rooms to semi-private rooms. The proposal submitted requires only renovation to the existing facility.

On pages 46-47, the applicant states that the proposal is the most effective alternative because it would most efficiently meet the needs of the current and projected patient population served by Lexington Health Care Center.

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

- Based on the facility's current utilization, the applicant's proposal will provide greater access to NF beds in Davidson County.
- The applicant provides reasonable information to explain why it believes the proposed project is the most effective alternative.
- The application is conforming to all other statutory and regulatory review criteria. Therefore, the application can be approved.

### **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. Lexington Operator LLC and 17 Cornelia Drive LLC (hereinafter "certificate holder") shall materially comply with all representations made in the certificate**

**of need application and any supplemental responses. If representations conflict, the certificate holder shall materially comply with the last made representation.**

- 2. The certificate holder shall relocate no more than ten nursing facility (NF) beds from Piedmont Crossing to Lexington Health Care Center in Davidson County.**
- 3. Upon project completion, Lexington Health Care Center shall be licensed for no more than 100 NF beds and 10 ACH beds.**
- 4. Upon project completion, Piedmont Crossing shall be licensed for no more than 104 NF beds.**
- 5. The Medicaid per diem reimbursement rates for the new nursing home beds shall be equal to the rates for the facility's existing beds as of the date on which the additional beds are certified.**
- 6. The certificate holder shall certify at least 61.3% of the total number of licensed nursing home beds in the facility for participation in the Medicaid program and shall provide care to Medicaid recipients commensurate with representations made in the application.**
- 7. The ten additional nursing facility beds shall not be certified for participation in the Medicaid program prior to July 1, 2023 unless the Division of Health Benefits (NC Medicaid) determines that state funds are available in the current Medicaid budget to pay for the care and authorizes an earlier certification date.**
- 8. For the first two years of operation following completion of the project, the certificate 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.**
- 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. The first progress report shall be due on May 1, 2023.**

**10. The certificate holder shall not acquire as part of this project any equipment that is not included in the project's proposed capital expenditures in Section Q of the application and that would otherwise require a certificate of need.**

**11. 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 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.**

**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 relocate no more than 10 NF beds from Piedmont Crossing to LHCC in Davidson County. At project completion, LHCC would be licensed for no more than 100 NF beds and 10 ACH beds.

**Capital and Working Capital Costs**

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

LEXINGTON HEALTH CARE CENTER CAPITAL COSTS	
Medical Equipment	\$15,000
Non Medical Equipment	\$20,000
Furniture	\$10,000
Other (contingency)	\$25,000
<b>Total</b>	<b>\$70,000</b>

In Section Q, in the “*Significant Assumptions*,” the applicant provides the assumptions used to project the capital cost. The applicant adequately demonstrates that the projected capital cost is based on reasonable and adequately supported assumptions based on the following:

- The applicant’s proposal includes the relocation of existing licensed beds to an existing facility which only requires costs associated with conversion of private rooms to semi-private rooms and adding furniture.
- The applicant includes a contingency in the even it is needed.

On page 49 the applicant states that there will be no start-up or initial operating costs associating with this project since it is an existing facility.

### **Availability of Funds**

In Section F, page 51, the applicant states that the capital cost will be funded as shown in the following table:

<b>Sources of Capital Cost Financing</b>			
<b>TYPE</b>	<b>LEXINGTON OPERATOR LLC</b>	<b>17 CORNELIA DRIVE LLC</b>	<b>TOTAL</b>
Loans	\$0	\$0	\$0
Accumulated reserves or OE *	\$70,000	\$0	\$70,000
Bonds	\$0	\$0	\$0
Other (Specify)	\$0	\$0	\$0
<b>Total Financing</b>	<b>\$70,000</b>	<b>\$0</b>	<b>\$70,000</b>

\* OE = Owner’s Equity

Exhibit F.2b contains a letter dated July 1, 2022 from the Principal of Lexington Operator, LLC confirming the availability of \$70,000 for the capital cost of the project and committing the funds to the project. Exhibit F.2b also contains a page from the financial statements for Lexington Operator, LLC that confirms an available balance of \$1.5 million in available operating cash and \$3.5 million in total assets.

The applicant adequately demonstrates the availability of sufficient funds for the capital needs of the project.

### **Financial Feasibility**

In Section Q the applicant provides pro forma financial statements for the first three full fiscal years of operation following completion of the project. In Form F.2b, the applicant projects that revenues will exceed operating expenses in the first three full fiscal years following completion of the project as shown in the following tables:

LEXINGTON HEALTH CARE CENTER ENTIRE FACILITY	1 <sup>ST</sup> FULL FY	2 <sup>ND</sup> FULL FY	3 <sup>RD</sup> FULL FY
	CY 2023	CY 2024	CY 2025
Total Patient Days	35,044	35,953	35,953
Total Gross Revenues (Charges)	\$10,723,153	\$10,965,084	\$10,965,084
Total Net Revenue	\$10,615,921	\$10,855,433	\$10,855,433
Average Net Revenue per Patient Day	\$303	\$302	\$302
Total Operating Expenses (Costs)	\$10,260,573	\$10,467,404	\$10,490,326
Average Operating Expense per Patient Day	\$293	\$291	\$292
Net Income	\$355,348	\$307,829	\$365,107

Source: Forms C1.b and F.2b  
 Numbers may not sum due to rounding

The assumptions used by the applicant in preparation of the pro forma financial statements are provided in Section Q, in the “*Significant Assumptions*”. The applicant adequately demonstrates that the financial feasibility of the proposal is reasonable and adequately supported based on the following:

- The applicant projects all revenue on the net of contractual adjustments.
- Projected expenses, excluding staffing costs, are based on the actual facility historical expenses.
- Other expenses and operating costs are based on facility experience.
- 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
- Supplemental information provided to the Agency

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

- The applicant adequately demonstrates that the capital costs are based on reasonable and adequately supported assumptions for all the reasons described above.
- The applicant adequately demonstrates availability of sufficient funds for the capital needs of the proposal for all the reasons described above.
- 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 revenues and operating expenses for all the reasons described above.

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

C

The applicant proposes to relocate no more than 10 NF beds from Piedmont Crossing to LHCC in Davidson County. At project completion, LHCC would be licensed for no more than 100 NF beds and 10 ACH beds.

On page 145, the 2022 SMFP defines the service area for NF beds as “*the county in which the bed is located.*” Thus, the service area for this facility consists of Davidson County. Facilities may also serve residents of counties not included in their service area.

Based on data reported in Table 10A, page 153 of the 2022 SMFP, Davidson County currently has eight nursing facilities with a total of 794 licensed nursing care beds, with 46 excluded from the planning inventory, as summarized below:

FACILITY	TOTAL AVAILABLE NF BEDS	SUM OF EXCLUSION	TOTAL PLANNING INVENTORY
Abbots Creek Center	64	0	64
Accordius Health at Lexington	106	0	106
Alston Brook	100	0	100
Lexington Health Care Center	90	0	90
Mountain Vista Health Park	60	0	60
Pelican Health Thomasville	120	0	120
Piedmont Crossing	114	46	68
Pine Ridge Health and Rehabilitation Center	140	0	140
<b>Total</b>	<b>794</b>	<b>46</b>	<b>748</b>

In Section G, page 56, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved nursing facility services in Davidson County. The applicant states:

*“The existing 10 NF beds are located at Piedmont Crossin[g]; a licensed CCRC, located in Davidson County. The relocation of NF beds from Piedmont Crossing to Lexington Health Care Center will have no effect on the inventory of available NF beds within Davidson County. ... These 10 NF beds have not been occupied for some time, therefore no existing residents would be affected by the relocation of these beds. The relocation ... will actually provide an enhanced level of access to NF beds for the population of Davidson County and the surrounding areas, as Lexington Health Care Center will provide the availability of nursing facility services in a free-standing nursing facility environment vs. a CCRC environment which traditionally focuses referral efforts to its own residents residing on the CCRC campus.”*

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

- The proposal would not result in an increase in NF beds in Davidson County.
- The proposal would actually result in a greater occupancy for NF beds in the county.
- The applicant's proposal is based on the need for additional NF bed capacity at the facility and in the service area.

### **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 all the reasons described 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 relocate no more than 10 NF beds from Piedmont Crossing to LHCC in Davidson County. At project completion, LHCC would be licensed for no more than 100 NF beds and 10 ACH beds.

In Section Q, Form H the applicant provides current and projected full-time equivalent (FTE) staffing for the proposed services for all three project years, as illustrated in the following table:

POSITION	CURRENT FTE STAFF	PROJECTED STAFF		
	AS OF 12/31/2021	1 <sup>ST</sup> FULL FY (CY 2023)	2 <sup>ND</sup> FULL FY (CY 2024)	3 <sup>RD</sup> FULL FY (CY 2025)
Registered Nurses	5.00	5.00	5.00	5.00
Licensed Practical Nurses	14.00	15.00	15.00	15.00
Certified Nurse Aides/Assistants	35.00	39.00	41.00	41.00
Director of Nursing	1.00	1.00	1.00	1.00
MDS Nurse	2.25	2.25	2.25	2.25
Staff Development Coordinator	2.00	2.00	2.00	2.00
Physical Therapists	2.70	2.70	2.70	2.70
Physical Therapy Assistants	2.52	3.00	3.00	3.00
Speech Therapists	1.00	1.00	1.00	1.00
Occupational Therapists	1.57	2.00	2.00	2.00
Occupational Therapy Aides	2.26	2.26	2.26	2.26
Respiratory Therapists	1.00	1.00	1.00	1.00
Social Workers	1.00	1.00	1.00	1.00
Activities Director	1.00	1.00	1.00	1.00
Medical Records	1.00	1.00	1.00	1.00
Central Sterile Supply	1.00	1.00	1.00	1.00
Maintenance/Engineering	1.40	1.40	1.40	1.40
Administrator/CEO	1.00	1.00	1.00	1.00
Business Office	1.00	1.00	1.00	1.00
Clerical	4.75	4.75	4.75	4.75
<b>TOTAL</b>	<b>82.45</b>	<b>88.36</b>	<b>90.40</b>	<b>90.40</b>

The assumptions and methodology used to project staffing are provided in Section Q in “*Significant Assumptions.*” Adequate operating expenses for the health manpower and management positions proposed by the applicant are budgeted in F.3b. In Section H, pages 58-59, the applicant describes the methods used to recruit or fill new positions and its existing training and continuing education programs.

The applicant adequately demonstrates the availability of sufficient health manpower and management personnel to provide the proposed services based on the following:

- The applicant’s staffing projections are based on the applicant’s experience.
- Lexington Health Care Center is an existing provider of nursing facility services in North Carolina, with extensive experience in recruiting staff.

**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.

- (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 relocate no more than 10 NF beds from Piedmont Crossing to LHCC in Davidson County. At project completion, LHCC would be licensed for no more than 100 NF beds and 10 ACH beds.

**Ancillary and Support Services**

In Section I, page 60, the applicant identifies the necessary ancillary and support services for the proposed NF bed relocation to Lexington Health Care Center. On page 60, the applicant explains how each ancillary and support service is or will be made available. The applicant adequately demonstrates that the necessary ancillary and support services will be made available because all ancillary and support services are already provided by the facility.

**Coordination**

In Section I, page 61, 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 following:

- Lexington Health Care Center is currently operational with existing relationships with local and area hospitals, physicians, home health agencies and hospice agencies.
- The applicant plans to continue the existing relationships with those healthcare providers.

**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 relocate no more than 10 NF beds from Piedmont Crossing to LHCC in Davidson County. At project completion, LHCC would be licensed for no more than 100 NF beds and 10 ACH beds.

In Section K, page 63, the applicant states that the project involves renovating 2,310 square feet of existing space. Line drawings are provided in Exhibit K.2.

On page 63, the applicant adequately explains how the cost, design and means of construction represent the most reasonable alternative for the proposal based on the following:

- The applicant is utilizing existing space to accommodate the ten relocated beds.
- The applicant proposes to convert existing rooms from single occupancy to double occupancy, thereby utilizing existing space.
- The relocation project will require minor renovations.

On page 64, 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 based on the following:

- The purpose of the project is to provide additional NF capacity to more effectively serve the population of Davidson County and the surrounding area.
- The applicant's proposal to relocate existing beds within the county requires nominal capital costs.
- The applicant proposes to serve primarily Medicaid recipients in the relocated NF beds.

On page 64, the applicant states that the project requires minor modifications to existing space and has undergone upgrades throughout the years to ensure compliance with energy efficiency standards.

### **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 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;

In Section L, page 66, the applicant provides the historical payor mix during CY 2021 for the proposed services, as shown in following table:

<b>LEXINGTON HEALTH CARE CENTER NURSING FACILITY BEDS HISTORICAL PAYOR MIX CY 2021</b>	
<b>PAYOR CATEGORY</b>	<b>% OF TOTAL</b>
Self-Pay	3.8%
Medicare*	27.2%
Medicaid*	59.7%
Other	9.2%
<b>Total</b>	<b>100.00%</b>

\*Including any managed care plans.

Numbers may not sum due to rounding by applicant

In Section L, page 67, the applicant provides the following comparison:

<b>LEXINGTON HEALTH CARE CENTER</b>	<b>PERCENTAGE OF TOTAL PATIENTS SERVED BY THE FACILITY OR CAMPUS DURING THE LAST FULL FY</b>	<b>PERCENTAGE OF THE POPULATION OF THE SERVICE AREA</b>
Female	58.8%	50.8%
Male	42.2%	49.2%
Unknown	0.0%	0.0%
64 and Younger	0.0%	81.2%
65 and Older	100.0%	18.8%
American Indian	0.0%	0.9%
Asian	1.1%	1.8%
Black or African-American	11.6%	10.4%
Native Hawaiian or Pacific Islander	0.0%	0.1%
White or Caucasian	87.3%	84.8%
Other Race	0.0%	2.0%
Declined / Unavailable	0.0%	0.0%

The Agency reviewed the:

- Application
- Exhibits to the application

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 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 68, the applicant states that the facility is under no obligation to provide uncompensated care, community service or access by minorities and persons with disabilities.

In Section L, page 68, the applicant states that during the 18 months immediately preceding the application deadline, no patient civil rights access complaints have been filed against the facility or any similar facilities owned by the applicant or a related entity and located in North Carolina.

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, page 69, the applicant 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.

LEXINGTON HEALTH CARE CENTER NURSING FACILITY BEDS PROJECTED PAYOR MIX CY 2025	
PAYOR CATEGORY	% OF TOTAL
Self-Pay	3.6%
Medicare*	25.4%
Medicaid*	63.1%
Other	7.9%
<b>Total</b>	<b>100.00%</b>

\*Including any managed care plans.

Numbers may not sum due to rounding by applicant

As shown in the table above, during the third full fiscal year of operation, the applicant projects that 3.6% of total services will be provided to self-pay patients, 25.4% to Medicare patients and 63.1% to Medicaid patients.

On page 69, the applicant provides the assumptions and methodology used to project payor mix during the third full fiscal year of operation following completion of the project. The projected payor mix is reasonable and adequately supported. The projected payor mix is based on the prior experience at Lexington Health Care Center with a projected potential increase in Medicaid patients in the relocated NF beds.

The Agency reviewed the:

- Application
- Exhibits to the application

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

- (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

On page 70, the applicant adequately describes the range of means by which patients will continue to have access to the proposed NF 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

The applicant proposes to relocate no more than 10 NF beds from Piedmont Crossing to LHCC in Davidson County. At project completion, LHCC would be licensed for no more than 100 NF beds and 10 ACH beds.

In Section M, page 71, the applicant describes the extent to which health professional training programs in the area currently have and will continue to have access to the facility for training purposes. The applicant provides supporting documentation in Exhibit M.1b. The applicant adequately demonstrates that health professional training programs in the area have access to the facility for training purposes based on the following:

- The facility has existing agreements with area community colleges.
- The applicant projects no change in the existing agreements following the proposed NF bed relocation.

### **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.

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

### C

The applicant proposes to relocate no more than 10 NF beds from Piedmont Crossing to LHCC in Davidson County. At project completion, LHCC would be licensed for no more than 100 NF beds and 10 ACH beds.

On page 145, the 2022 SMFP defines the service area for NF beds as “*the county in which the bed is located.*” Thus, the service area for this facility consists of Davidson County. Facilities may also serve residents of counties not included in their service area.

Based on data reported in Table 10A, page 153 of the 2022 SMFP, Davidson County currently has eight nursing facilities with a total of 794 licensed nursing care beds, with 46 excluded from the planning inventory, as summarized below:

FACILITY	TOTAL AVAILABLE NF BEDS	SUM OF EXCLUSION	TOTAL PLANNING INVENTORY
Abbots Creek Center	64	0	64
Accordius Health at Lexington	106	0	106
Alston Brook	100	0	100
Lexington Health Care Center	90	0	90
Mountain Vista Health Park	60	0	60
Pelican Health Thomasville	120	0	120
Piedmont Crossing	114	46	68
Pine Ridge Health and Rehabilitation Center	140	0	140
<b>Total</b>	<b>794</b>	<b>46</b>	<b>748</b>

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 72, the applicant states:

*“Since the proposed project does not increase the number of NF beds in Davidson County, there is no anticipated effect on competition in the proposed service area.”*

Regarding the impact of the proposal on cost effectiveness, in Section N, page 72, the applicant states:

*“...The 10 NF beds to be relocated are being relocated from Piedmont Crossing, a licensed CCRC in Davidson County. Since Piedmont Crossing has historically been under-occupied in their NF beds, the 10 NF beds being relocated have not been utilized. This is primarily due to the business model at Piedmont Crossing, which targets residents as a ‘life plan’ community which can be a costly option and may not be affordable to the broader population. The 10 NF beds referenced in this application would be much better served in a free-standing nursing facility such as Lexington Health Care Center, as they would be readily available to the population of Davidson County and the surrounding areas; especially for the indigent and Medicaid population.”*

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

Regarding the impact of the proposal on quality, in Section N, page 72, the applicant states:

*“With the strong occupancy history at Lexington Health Care Center, the relocation of these 10 NF beds would open opportunity for quality skilled nursing care in Davidson County and the surrounding area.”*

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, page 73, the applicant states:



*“One of the main decision factors in the Applicants’ decision to move forward with the proposed relocation of 10 NF beds is the need for placement of Medicaid beneficiaries in skilled nursing facilities within Davidson County and the surrounding area. By opening capacity of NF beds to the indigent population of the community a significant portion of the underserved community will have expanded access to the facility.”*

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

The applicant adequately describes the expected effects of the proposed services on competition in the service area and adequately demonstrates the proposal would have a positive impact on cost-effectiveness, quality, and access because the applicant adequately demonstrates that:

- 1) The proposal is cost effective because the applicant adequately demonstrated: a) the need the population to be served has for the proposal; b) that the proposal would not result in an unnecessary duplication of existing and approved health services; and c) that projected revenues and operating costs are reasonable.
- 2) Quality care would be provided based on the applicant’s representations about how it will ensure the quality of the proposed services and the applicant’s record of providing quality care in the past.
- 3) Medically underserved groups will have access to the proposed services based on the applicant’s representations about access by medically underserved groups and the projected payor mix.

### **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 all the reasons described above.

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

### C

In Section Q the applicant identifies the nursing facilities located in North Carolina owned, operated or managed by the applicant or a related entity. The applicant identifies a total of seven of this type of facility located in North Carolina.

In Section O, pages 75-76, the applicant states that, during the 18 months immediately preceding the submittal of the application, incidents related to immediate jeopardy occurred in three of the facilities. The applicant provides details on those pages. On page 76 the applicant states all facilities are back in compliance. In Exhibits O-6a and O-6b the applicant provides copies of the surveys and documentation that the involved facilities are back in compliance. 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 all seven facilities, 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.

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.

NA

The applicant proposes to relocate no more than 10 NF beds from Piedmont Crossing to LHCC in Davidson County. At project completion, LHCC would be licensed for no more than 100 NF beds and 10 ACH beds.

The Criteria and Standards for Nursing Facility or Adult Care Home Services, promulgated in 10A NCAC 14C .1100, are not applicable to the review because the applicant is not proposing to add new NF or ACH beds to an existing facility or to develop a new facility.