

REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conforming as Conditioned

NC = Nonconforming

NA = Not Applicable

Decision Date: June 27, 2022

Findings Date: June 27, 2022

Project Analyst: Kim Meymandi

Co-Signer: Lisa Pittman

Project ID #: O-12185-22

Facility: Arbor Landing at Compass Pointe

FID #: 220166

County: Brunswick

Applicant(s): Hood Creek Properties, LLC

Project: Develop a new ACH facility by relocating no more than 20 ACH beds from Ocean Isle Operations for a total of no more than 20 Special Care Unit beds

REVIEW CRITERIA

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

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

C

Hood Creek Properties, LLC, (hereinafter referred to as “the applicant”), proposes to acquire and relocate 20 existing adult care home (ACH) beds from Ocean Isle Operations, in Shallotte (Brunswick County), to a new facility to be developed on the campus of Arbor Landing at Compass Pointe, an existing independent living facility operated by the applicant and located at 2771 Compass Pointe, Leland (Brunswick County). Following completion of the project, Ocean Isle Operations will be licensed for 20 ACH beds, and Arbor Landing at Compass Pointe will be licensed for 20 ACH Special Care Unit (SCU) beds.

Need Determination

The proposed project does not involve the addition of any new health service facility beds, services, or equipment for which there is a need determination in the 2021 State Medical Facilities Plan (SMFP). Therefore, there are no need determinations applicable to this review.

Policies

There is one policy in the 2022 SMFP which is applicable to this review: **Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities**, on pages 30-31 of the 2022 SMFP, states:

“Any person proposing a capital expenditure greater than \$4 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 capital expenditure of the project is over \$4 million dollars but less than \$5 million. In Section B, page 26, the applicant describes its plan to assure improved energy efficiency and water conservation. The applicant lists numerous features it plans to include, such as automatic and LED light fixtures, highly efficient mechanical designs, high performance building insulation, low-flow plumbing fixtures, water-efficient washing machines and dishwashers.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

- Information publicly available during the review and used by the Agency

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

- The project is not based on a need determination in the 2022 SMFP.
- The applicant adequately demonstrates that the proposal is consistent with Policy GEN-4 because the application includes a written statement describing the project's plan to assure improved energy efficiency and water conservation.

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

C

The applicant proposes to develop a new 20-bed ACH facility in Brunswick County by relocating no more than 20 existing ACH beds from Ocean Isle Operations, also located in Brunswick County. Ocean Isle Operations is currently licensed for 40 ACH beds; 24 are special care unit (SCU) beds and 16 are non-SCU beds. Of the 20 existing ACH beds being relocated; four are SCU beds and 16 are non-SCU beds. Upon project completion, the relocated 16 non-SCU beds will be converted to SCU beds for a total of 20 SCU beds at Arbor Landing at Compass Pointe and 20 SCU beds at Ocean Isle Operations. The applicant states in supplemental information requested by the Agency that Ridge Care, Inc., which currently manages three other ACH facilities in the state, will provide management services to Arbor Landing at Compass Pointe.

Patient Origin

On page 177, the 2022 SMFP defines the service area for ACH beds as “*the county in which the adult care home bed is located.*” The proposed ACH facility and the existing facility from which the ACH beds are to be relocated are both located in Brunswick County. Thus, the service area for this project is Brunswick County. Facilities may also serve residents of counties not included in their service area.

This proposal is to develop Arbor Landing at Compass Pointe, a new 20-bed ACH facility in Brunswick County; therefore, historical patient data does not exist. In Section C, pages 27-28, the applicant provides the historical (CY2021) patient origin for the special care unit and the entire facility of Ocean Isle Operations as summarized in the following table.

Ocean Isle Operations Historical Patient Origin 1/1/2021 to 12/31/2021				
County	Special Care Unit		Entire Facility	
	Patients	% of Total	Patients	% of Total
Brunswick	39	79.6%	57	80.3%
New Hanover	1	2.0%	2	2.8%
Sampson	2	4.1%	2	2.8%
Alamance	1	2.0%	1	1.4%
Catawba	1	2.0%	1	1.4%
Vance	1	2.0%	1	1.4%
South Carolina	2	4.1%	3	4.2%
Other States	2	4.1%	4	5.6%
Total	49	100.0%	71	100.0%

On page 29, the applicant projects the patient origin at Arbor Landing at Compass Pointe for the first three full fiscal years following completion of the proposed project, as summarized below:

County	1st Full FY CY2024		2nd Full FY CY2025		3rd Full FY CY2026	
	Patients	% of Total	Patients	% of Total	Patients	% of Total
Brunswick	18	78.3%	29	80.6%	29	80.6%
New Hanover	2	8.7%	3	8.3%	3	8.3%
Columbus	1	4.3%	2	5.6%	2	5.6%
Other Counties	1	4.3%	1	2.8%	1	2.8%
South Carolina	1	4.3%	1	2.8%	1	2.8%
Other States	0	0.0%	0	0.0%	0	0.0%
Total	23	100.0%	36	100.0%	36	100.0%

In Section C, page 28, the applicant provides the assumptions and methodology used to project its patient origin. The applicant states that projected patient origin is based on data from the 2022 license renewal applications of Brunswick County ACHs and nursing facilities (NF) with ACH beds.

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

- The applicant assumes the majority of the residents will be residents of the county in which the facility is located.
- The applicant bases the projected patient origin on the historical patient origin of the other ACH facilities and NFs with ACH beds in Brunswick County.

Analysis of Need

In Section C, pages 30-31, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services. On pages 30-31, the applicant states the specific need for the project is based on the following factors:

- SCU beds are needed in Brunswick County more than non-SCU beds - In Exhibit G.2, the applicant provides 2022 License Renewal Applications for eight facilities in Brunswick County that have ACH beds. The applicant states that 41.3% of non-SCU beds in Brunswick County were occupied, while 77.8% of SCU beds in Brunswick County were occupied.
- Northeastern Brunswick County (Leland) needs additional SCU beds more than southwestern Brunswick County (Shallotte) – In Exhibit C.4, the applicant provides a Brunswick County Census Tract map that divides Brunswick County into three sectors; the Shallotte Sector, the Southport Sector and the Leland Sector. The applicant uses 2020 Census Bureau population totals for each sector and states that the 2020 population by age for each census tract is not yet published. Therefore, the applicant assumes each census tract retains the same portion of age 55+ population from 2019 and calculates the 2020 55+ population for the Shallotte Sector and Leland Sector. The applicant also provides the existing and proposed SCU beds in each sector as shown in the table below.

	Shallotte Sector		Leland Sector	
2020 Population	52,602		45,677	
2020 55+ Population	28,688	63%	16,796	37%
Existing SCU Beds	72	75%	24	25%
Proposed SCU Beds	68	61%	44	39%

Source: Application, page 31

In supplemental information requested by the agency, the applicant provides the census data (Exhibit 1), a formula used to calculate the 2020 55+ populations for the Shallotte and Leland sectors and states the specific need for the project is based on the following:

- COVID-19 pandemic artificially depressed Brunswick County adult care home utilization rates.
- According to the NC Office of State Budget and Management (OSBM) the Brunswick County population is expected to increase by 11.7% between 2021 and 2026 (FY3).
- Ridge Care, the management company for the proposed facility had higher utilization rates than the Brunswick County average.
- Leland House is the only SCU in the Leland Sector of Brunswick County. It was built in 2005 and has recently been cited for numerous violations and was indeterminately closed during 2021 and 2022.
- Qualitative benefits of a new facility under management by a company with a history of providing quality care.

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

- The applicant does not propose to add any new ACH beds in Brunswick County. Rather it proposes to relocate existing ACH beds within Brunswick County and convert non-SCU beds to SCU beds.
- The applicant provides reliable data and information regarding the number of SCU beds in in the Leland and Shallotte sectors of Brunswick County.
- The applicant provides credible population data regarding the need for more SCU beds in the northeastern part of Brunswick County.

Projected Utilization

Arbor Landing at Compass Pointe is not an existing ACH facility; therefore, it has no historical patient utilization to report. In Exhibit 2 of supplemental information requested by the Agency, the applicant provides the projected utilization for the first three years following project completion, as illustrated in the following table.

Arbor Landing at Compass Pointe Projected Utilization

	1 st Full FY CY2024	2 nd Full FY CY2025	3 rd Full FY CY2026
ACH - All Beds	20	20	20
# of Admissions	20	15	15
# of Patient Days	5,779	6,205	6,205
Average Length of Stay	289	414	414
Occupancy Rate	79.2%	85.0%	85.0%

Special Care Unit (SCU) ACH Beds

As shown in the table above, the applicant projects the 20 ACH beds will operate at 85.0% of capacity $[(6,205 \text{ days} / 365 \text{ days per year}) / 20 \text{ beds} = 0.85]$ in the second year of operation. To project utilization of the 20 SCU ACH beds, the applicant provides the assumptions and methodology used to project utilization, which is summarized below.

- During the first month of operation, 14 residents will move in on opening day.
- During the second month of operation, two residents will move in at the beginning of the month.
- On the last days of months three, five, seven, and nine a resident will discharge.
- At the beginning of months four, six, eight, and ten one resident will move in.
- On the last day of month twelve one resident will discharge.
- During the first month of operating year two, two residents will move in.
- The facility will remain at a constant 85% occupancy of 17 residents in operating years two and three, with one resident moving in immediately following a resident discharge.
- During the second and third year of operations, 11 residents will discharge and be admitted each year.

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

- Northeastern Brunswick County currently has a limited SCU inventory of 24 beds and there are qualitative benefits of a new facility.
- The fill rate is based on Ridge Care Management’s experience opening and operating other senior living facilities in the southeast.
- Utilization of the proposed facility is supported by the percentage of 55+ population in the Leland Sector of Brunswick County and the projected growth of the population in Brunswick County.

Access to Medically Underserved Groups

In supplemental information requested by the Agency, the applicant states:

“The applicant has a strict non-discrimination policy; the proposed facility will afford equal treatment for all persons without regard to gender, sex, race, color, religion, country of origin, age, marital status, sexual orientation, or disability.

....

All qualifying medically underserved individuals will not be treated differently than any other potential resident with regard to the beds available to individuals relying on Medicaid. Low income individuals (those relying on Medicaid) will be served in this facility to the extent that the relevant beds are available. The facility will not discriminate in any way with regard to gender, sex, race, ethnicity, age, or handicap.”

In Section C.6., page 36, the applicant provides the estimated percentage for each medically underserved group, as shown in the following table.

Medically Underserved Group	Percentage of Total Patients
Low income persons	21.1%
Racial and ethnic minorities	28.3%
Women	61.3%
Persons with disabilities	100.0%
Persons 65 and older	100.0%
Medicare beneficiaries	100.0%
Medicaid recipients	21.1%

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:

- The applicant provides an estimate for each medically underserved group it proposes to serve.

- The applicant provides written statements about offering access to all qualified persons, including underserved groups.

Conclusion

The Agency reviewed the:

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

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

- The applicant adequately identifies the population to be served.
- The applicant adequately explains why the population to be served needs the services proposed in this application.
- Projected utilization is reasonable and adequately supported.
- The applicant projects the extent to which all residents, including underserved groups, will have access to the proposed services and adequately supports its 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, ... persons [with disabilities], and other underserved groups and the elderly to obtain needed health care.

C

The applicant proposes to develop a new ACH facility by relocating no more than 20 ACH beds from Ocean Isle Operations for a total of no more than 20 Special Care Unit beds.

In Section D, 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 41, the applicant states:

“The number of SCU beds being utilized at Ocean Isle Operations in the last fiscal year did not exceed 20, and Ocean Isle Operations does not plan to utilize the SCU beds such that losing four of them at the end of 2023 would result in the discharge of any SCU residents. During the last fiscal year, Ocean Isle Operations did not admit any new residents to non-SCU beds. By continuing not to admit new non-SCU residents, Ocean Isle Operations intends to allow the remaining residents to remain until the new facility is finished and the beds are moved. If non-SCU residents are still remaining at that time (having not been discharged through the normal turnover of

such a facility), they can be placed in the SCU if they qualify, move to the independent living section of the building (if able), or move to a nearby facility that has availability.”

In supplemental information requested by the Agency, the applicant states:

“...Ocean Isle Operations will work with nearby adult care homes to ensure an as-seamless-as-possible transfer of care.

....

In no event will Ocean Isle Operations discharge a resident in order to empty beds to move them on January 1, 2024 without ensuring their continued care either at Ocean Isle Operations or another adult care home.”

Access to Medically Underserved Groups

The applicant adequately demonstrates that the needs of medically underserved groups that currently use ACH beds that will be relocated to Arbor Landing at Compass Pointe will be adequately met following completion of the project for the following reasons:

- The applicant proposes to relocate the ACH beds within the same county.
- The applicant provides written statements about offering access to all residents of the service area, including underserved groups.

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 demonstrates that the needs of the population currently using the services to be relocated will be adequately met following project completion for all the reasons described above.
- The applicant adequately demonstrates that the project will not adversely impact the ability of underserved groups to access these services following project completion for all the reasons described above.

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

CA

The applicant proposes to develop a new ACH facility by relocating no more than 20 ACH beds from Ocean Isle Operations for a total of no more than 20 Special Care Unit beds.

In Section E, page 44, 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. The alternatives considered were:

- Choose a different location for the new facility-The applicant states this option would be more costly because resources have already been expended for the land and the new location allows for the utilization of resources already present at an existing independent living facility nearby.
- Move 12 SCU beds to the Leland sector -The applicant states that 12 SCU beds are not sufficient to meet the needs of the Leland Sector and therefore, this alternative is not effective.
- Relocate all 40 ACH beds to the Leland Sector-The applicant states this alternative would leave the Shallotte Sector with an insufficient number of beds relative to the 55+ population.

In evaluating the alternatives, the applicant determined that constructing a new facility in Leland and converting non-SCU beds to SCU beds is the most effective and cost-efficient option to best address Brunswick County's need for increased access to high quality and cost-effective assisted living care.

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

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

Conclusion

The agency reviewed the:

- Application
- 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. Hood Creek Properties, LLC (hereinafter the 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 develop a new 20-bed ACH facility in Brunswick County by relocating 20 existing ACH beds from Ocean Isle Operations in Brunswick County.**
- 3. Upon completion of the project, Arbor Landing at Compass Pointe shall be licensed for no more than 20 Special Care Unit ACH beds.**
- 4. The certificate holder shall certify at least 20 percent of the total number of licensed adult care home beds in the facility for recipients of State/County Special Assistance with Medicaid and provide care to those recipients commensurate with representations made in supplemental information.**
- 5. Progress Reports:**
 - a. Pursuant to G.S. 131E-189(a), the certificate holder shall submit periodic progress reports on the progress being made to develop the project consistent with the timetable and representations made in the application on the Progress Report form provided by the Healthcare Planning and Certificate of Need Section. The form is available online at: <https://info.ncdhhs.gov/dhsr/coneed/progressreport.html>.**
 - b. The certificate 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 October 1, 2022.**
- 6. For the first two years of operation following completion of the project, Arbor Landing at Compass Pointe shall not increase private pay charges more than 5% of the projected private pay charges provided in Section Q of the application without first obtaining a determination from the Healthcare Planning and Certificate of Need Section that the proposed increase is in material compliance with the representations in the certificate of need application.**
- 7. No later than three months after the last day of each of the first three full fiscal years of operation following initiation of the services authorized by this certificate of need, the certificate 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.**
8. **Prior to the issuance of the certificate of need, Hood Creek Properties, LLC shall obtain documentation from Hooker Holdings and Jeff Dickerson showing that the purchase transaction between the buyer and seller has been completed and shall provide a copy of the documentation to the Healthcare Planning and Certificate of Need Section.**
9. **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 develop a new ACH facility by relocating no more than 20 ACH beds from Ocean Isle Operations for a total of no more than 20 Special Care Unit beds.

Capital and Working Capital Costs

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

Capital Cost Category	Projected Cost
Site Costs	\$675,560
Construction Costs	\$3,163,600
Miscellaneous Costs	\$578,5000
Total	\$4,417,660

In Form F.1a., 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:

- Construction costs, site preparation, and architect/engineer fees are based on an estimate from the project architect.
- Equipment, furniture and a portion of the site preparation costs are based on the management company, Ridge Care, Inc.'s, experience developing new ACH facilities.

In Section F.3, page 46, the applicant estimates start-up costs of \$45,000 with no initial operating expenses, for a total working capital of \$45,000.

Availability of Funds

In Section F.2., page 45, the applicant states that the capital cost will be funded as shown in the table below.

Type	Hood Creek Properties, LLC
Loans	\$4,417,660
Accumulated reserves or OE *	\$0
Bonds	\$0
Other (Specify)	\$0
Total Financing	\$4,417,660

* OE = Owner's Equity

In Section F.3, page 47, the applicant states that the working capital will be funded as shown in the table below.

Type	Hood Creek Properties, LLC
Loans	\$45,000
Accumulated reserves or OE *	\$0
Bonds	\$0
Other (Specify)	\$0
Total Financing	\$45,000

* OE = Owner's Equity

The applicant adequately demonstrates the availability of sufficient funds for the capital and working capital needs of the project based on the following:

- Exhibit B.21 contains the architect's cost estimate for the building, site improvements and architectural fees for development of the proposed facility.
- Exhibit F.2 contains a letter from the Chief Executive Officer of Ridge Care Senior Living stating their willingness to fund the project with a loan in the amount of \$4,462,660.
- In supplemental information requested by the Agency, the applicant provides a letter from a Senior Vice President of Fidelity Bank documenting sufficient liquid assets to fund the capital and working capital costs of the proposed project.

Financial Feasibility

The applicant provided pro forma financial statements for the first three full fiscal years of operation following completion of the project. In Forms F.2b and F.3b of supplemental information requested by the Agency, the applicant projects that revenues will exceed operating expenses in the second and third full fiscal years following completion of the project, as shown in the table below.

	1st Full FY CY2024	2nd Full FY CY2025	3rd Full FY CY2026
Total Patient Days	5,779	6,205	6,205
Total Gross Revenues (Charges)	\$1,317,248	\$1,408,388	\$1,408,388
Total Net Revenue	\$1,317,248	\$1,408,388	\$1,408,388
Average Net Revenue per Patient Day	\$228	\$227	\$227
Total Operating Expenses (Costs)	\$1,316,906	\$1,351,816	\$1,347,772
Average Operating Expense per Patient Day	\$227	\$218	\$217
Net Income	\$342	\$56,572	\$60,616

Totals 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. The applicant adequately demonstrates that the financial feasibility of the proposal is reasonable and adequately supported based on the following:

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

Conclusion

The Agency reviewed the:

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

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

- The applicant adequately demonstrates that the capital and working 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 and working 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 develop a new ACH facility by relocating no more than 20 ACH beds from Ocean Isle Operations for a total of no more than 20 Special Care Unit beds.

On page 177, the 2022 SMFP defines the service area for ACH beds as “*the county in which the adult care home bed is located.*” The proposed ACH facility and the existing facility from which the ACH beds are to be relocated are both located in Brunswick County. Thus, the service area for this project is Brunswick County. Facilities may also serve residents of counties not included in their service area.

Table 11A of the 2022 SMFP indicates that there is currently a total of nine facilities in Brunswick County with licensed ACH beds. The table below is a summary of those facilities in Brunswick County, from the 2022 SMFP, Chapter 11, Tables 11A and 11C. There is a projected surplus of 747 ACH beds in 2025 for Brunswick County.

2022 ACH INVENTORY AND 2025 NEED PROJECTIONS FOR BRUNSWICK COUNTY	
# ACH Facilities	6
# Beds in ACH Facilities	484
# Beds in Nursing Facilities	67
Total Licensed Beds	551
# CON Approved Beds (License Pending) including CON Bed Transfer	332
Total # Available	883
Total # in Planning Inventory	883
Projected Bed Utilization Summary	136
Projected Bed Surplus (Deficit)	747

In Section G, page 53, the applicant explains why it believes its proposal would not result in any unnecessary duplication of existing or approved ACH services in Brunswick County. The applicant states:

“...the low utilization of adult care home beds in Brunswick County is a result of there not being enough SCU beds in relation to non- SCU beds. Converting the beds to SCU beds and moving them to part of the county that needs them would not be an unnecessary duplication of beds.”

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 the inventory of ACH beds or the number of ACH facilities in Brunswick County.
- The discussions regarding analysis of need, including projected utilization, access, and alternatives found in Criteria (3) and (4), respectively, are incorporated herein by reference.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Information which was publicly available during the review and used by the Agency
- Supplemental information requested 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 develop a new ACH facility by relocating no more than 20 ACH beds from Ocean Isle Operations for a total of no more than 20 Special Care Unit beds.

In Section Q Form H, the applicant provides projected full-time equivalent (FTE) positions for the proposed services, as illustrated in the following table.

**Projected FTE Positions
 Arbor Landing at Compass Pointe**

Position	1 st Full FY	2 nd Full FY	3 rd Full FY
CNA/Nursing Assistants	7.02	7.31	7.31
Alzheimer’s Coordinator	1.00	1.00	1.00
Dieticians	0.19	0.20	0.20
Cooks	0.60	0.62	0.62
Dietary Aide	0.79	0.82	0.82
Activities Director	0.46	0.48	0.48
Housekeeping	0.43	0.45	0.45
Maintenance/Engineering	0.25	0.26	0.26
Administrator/CEO	0.20	0.20	0.20
Business Office	0.50	0.50	0.50
Other (Housekeeping Manager)	0.15	0.16	0.16
Other (Marketing)	0.20	0.20	0.20
Other (Medication Technician)	3.93	4.09	4.09
Other (Transportation)	0.44	0.46	0.46
Total	16.16	16.75	16.75

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 Form F.3b. In Section H, page 54, 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 projects the number of FTE positions necessary to accommodate the proposed development of healthcare services for ACH beds at Arbor Landing at Compass Pointe.
- The methods used to recruit or fill new positions and the proposed methods for providing training and education programs are provided.

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 develop a new ACH facility by relocating no more than 20 ACH beds from Ocean Isle Operations for a total of no more than 20 Special Care Unit beds.

Ancillary and Support Services

In Section I, the applicant identifies the necessary ancillary and support services for the proposed services. On page 56, the applicant explains how each ancillary and support service is or will be made available and provides supporting documentation in Exhibit I.2.

The applicant adequately demonstrates that the necessary ancillary and support services will be made available based on the following:

- The applicant identifies the necessary ancillary and support services for ACH patients located in or near Brunswick County and how these will be made available.

- Arbor Landing at Compass Pointe, via its management agreement with Ridge Care, Inc., will have access to support services already in place for the management of other ACH facilities.

Coordination

In Section I, page 62, the applicant describes its proposed relationships with other local health care and social service providers and provides supporting documentation in Exhibit I.2. The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system based on the following:

- Arbor Landing at Compass Pointe, via its management agreement with Ridge Care, Inc., will have access to the same relationships with healthcare and social service providers as the management company uses at its other facilities.
- The applicant has sent letters to establish relationships and agreements with the community health care and ancillary service providers where ACH patients can receive appropriate referrals for necessary services and care related to their condition.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

NA

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

- (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 develop a new ACH facility by relocating no more than 20 ACH beds from Ocean Isle Operations for a total of no more than 20 Special Care Unit beds.

In Section K.1, page 59, the applicant states that the project involves 12,240 square feet of new construction. Line drawings are provided in Exhibit K.1.

On pages 59-61, the applicant identifies the proposed site and provides information about the current owner, zoning and the availability of water, sewer and waste disposal and power at the site, and provides supporting documentation. The site is suitable for the proposed facility based on the applicant's representations and supporting documentation.

On page 59 and in Exhibit 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 following:

- Supporting documentation from the project architect in Exhibit K.3.
- The project architect states they considered several design alternatives before determining the most reasonable alternative.

On page 60, 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 cost of the new facility is justified by being located next to an independent living facility where staff, square footage and expensive equipment can be shared.
- According to the expertise of the project architect, the projected cost, design and means of construction is the most reasonable alternative for the proposed facility.

On page 60, the applicant identifies 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 ... persons [with disabilities], which have traditionally experienced difficulties in obtaining equal access to the proposed services, particularly those needs identified in the State Health Plan as deserving of priority. For the purpose of determining the extent to which the proposed service will be accessible, the applicant shall show:
- (a) The extent to which medically underserved populations currently use the applicant's existing services in comparison to the percentage of the population in the applicant's service area which is medically underserved;

C

The applicant does not provide a historical payor mix for Arbor Landing at Compass Pointe because it is not an existing facility. However, in Section L, page 63, the applicant provides the historical payor mix for the facility, Ocean Isle Operations from where the proposed ACH beds are being relocated, during the last full operating year (CY2021), as shown in the table below.

**Ocean Isle Operations
 Historical Payor Mix CY 2021**

Payor Category	ACH Services as % of Total
Self-pay	94.4%
Insurance*	0.0%
Medicare*	0.0%
Medicaid*	5.6%
Miscellaneous (Incl. VA)	0.0%
Total	100.0%

*Including any managed care plans

In supplemental information requested by the Agency, the applicant provides the following comparison of patients served at Ocean Isle Operations during the last full FY (CY 2021) to the population in the service area.

	Percentage of Total Patients Served by the Facility or Campus during the Last Full OY	Percentage of the Population in the Service Area*
Female	80.6%	52.3%
Male	19.4%	47.7%
Unknown	0.0%	0.0%
64 and Younger	0.0%	67.4%
65 and Older	100.0%	32.6%
American Indian	0.0%	0.8%
Asian	0.0%	0.7%
Black or African-American	0.0%	10.0%
Native Hawaiian or Pacific Islander	0.0%	0.1%
White or Caucasian	100.0%	86.5%
Other Race	0.0%	1.8%
Declined / Unavailable	0.0%	0.0%

*The percentages can be found online using the United States Census Bureau's QuickFacts which is at: <https://www.census.gov/quickfacts/fact/table/US/PST045218>. Just enter in the name of the county.

The Agency reviewed the:

- Application
- Exhibits to the application
- Information which was publicly available during the review and used by the Agency
- Supplemental information requested 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 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.2, page 69, the applicant states it has no obligation to provide such care.

In Section L.2, page 64, the applicant states that during the last five years 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 supplemental information requested by the Agency, the applicant projects the following payor mix during the third full fiscal year of operation following completion of the project, as illustrated in the following table.

**Arbor Landing at Compass Pointe
Third Full Fiscal Year 1/1/2026-12/31/2026**

Payor Source	General ACH Beds
Private Pay	76.5%
Medicaid	23.5%
Total	100.0%

As shown in the table above, during the third full fiscal year of operation, the applicant projects that 21.1% of total services will be provided to Medicaid patients. On page 65, 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 based on the following:

- The applicant bases the projections on the historical experience of the applicant as an owner and operator of other ACH facilities in the area.
- The applicant relies on the historical utilization of ACH beds in Brunswick County by Medicaid patients.

The Agency reviewed the:

- Application
- Exhibits to the application

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

- (d) That the applicant offers a range of means by which a person will have access to its services. Examples of a range of means are outpatient services, admission by house staff, and admission by personal physicians.

C

In Section L.5., page 66, the applicant adequately describes the range of means by which patients will have access to the proposed services.

The Agency reviewed the:

- Application
- Exhibits to the application

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

- (14) The applicant shall demonstrate that the proposed health services accommodate the clinical needs of health professional training programs in the area, as applicable.

C

In Section M.1, page 67, the applicant describes the extent to which area health professional training programs will have access to the facility for training purposes and provides supporting documentation in Exhibit M.1. 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 applicant offers the facility as a clinical learning site for students from Brunswick Community College and Cape Fear Community College.
- The applicant provides a copy of the letters sent to Brunswick Community College and Cape Fear Community College offering training opportunities in Exhibit M.1.

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the applicant adequately demonstrates that the proposed services will accommodate the needs of health professional training programs in the area; therefore, the application is conforming to this criterion.

- (15) Repealed effective July 1, 1987.
- (16) Repealed effective July 1, 1987.
- (17) Repealed effective July 1, 1987.
- (18) Repealed effective July 1, 1987.

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

C

The applicant proposes to develop a new ACH facility by relocating no more than 20 ACH beds from Ocean Isle Operations for a total of no more than 20 Special Care Unit beds.

On page 177, the 2022 SMFP defines the service area for ACH beds as “*the county in which the adult care home bed is located.*” The proposed ACH facility and the existing facility from which the ACH beds are to be relocated are both located in Brunswick County. Thus, the service area for this project is Brunswick County. Facilities may also serve residents of counties not included in their service area.

Table 11A of the 2022 SMFP indicates that there is currently a total of nine facilities in Brunswick County with licensed ACH beds. The table below is a summary of those facilities in Brunswick County, from the 2022 SMFP, Chapter 11, Tables 11A and 11C. There is a projected surplus of 747 ACH beds in 2025 for Brunswick County.

2022 ACH INVENTORY AND 2025 NEED PROJECTIONS FOR BRUNSWICK COUNTY	
# ACH Facilities	6
# Beds in ACH Facilities	484
# Beds in Nursing Facilities	67
Total Licensed Beds	551
# CON Approved Beds (License Pending) including CON Bed Transfer	332
Total # Available	883
Total # in Planning Inventory	883
Projected Bed Utilization Summary	136
Projected Bed Surplus (Deficit)	747

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 68, the applicant states:

“By converting non-SCU beds to SCU beds and moving them to the other side of the county, this proposal provides facilities with non-SCU beds the opportunity to increase their utilization. Because the applicant believes the need for more SCU beds exists in the Leland Sector of Brunswick County, this proposal should not cause utilization to be negatively affected in competing special care units.”

Regarding the impact of the proposal on cost effectiveness, in Section N, page 68, the applicant states:

“By reducing the number of non-SCU beds in Brunswick County, this provides an opportunity for competing facilities with non-SCU beds to increase utilization, and, in turn, have better cash flow.”

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

Regarding the impact of the proposal on quality, in Section N, page 68, the applicant states:

“The proposal’s positive effect on utilization and, in turn, cash flow at competing facilities help prevent those facilities from cutting corners while providing care, leading to increased quality of care at facilities in the area. Similarly, the increased competition can increase the quality of care among special care units because there is pressure to meet resident expectations in the face of a brand new facility.”

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 68, the applicant states:

“By allowing Medicaid recipients to access some of the SCU beds, this proposal increases the number of overall SCU beds in the county available to Medicaid recipients.”

See also Section 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 which was publicly available during the review and used by the Agency

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

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

C

In Section Q, Form O, and in Section O, page 71, the applicant identifies three existing and one approved ACH facility located in North Carolina owned, operated or managed by the applicant or a related entity.

In Section O, pages 71-72, the applicant states that, during the 18 months immediately preceding the submittal of the application, all incidents related to sub-standard quality of care have been resolved and all facilities owned and operated by the applicant or related entity are

back in full compliance. According to the files in the ACH Licensure Section, DHSR, during the 18 months immediately preceding submission of the application through the date of this decision, two incidents related to quality of care occurred at these facilities with penalties imposed and the facilities being back in compliance as of the date of these findings. After reviewing and considering information provided by the applicant and by the ACH Licensure Section and considering the quality of care provided at all related facilities, the applicant provided sufficient evidence that quality of care has been provided in the past. Therefore, the application is conforming to this criterion.

(21) Repealed effective July 1, 1987.

G.S. 131E-183 (b): The Department is authorized to adopt rules for the review of particular types of applications that will be used in addition to those criteria outlined in subsection (a) of this section and may vary according to the purpose for which a particular review is being conducted or the type of health service reviewed. No such rule adopted by the Department shall require an academic medical center teaching hospital, as defined by the State Medical Facilities Plan, to demonstrate that any facility or service at another hospital is being appropriately utilized in order for that academic medical center teaching hospital to be approved for the issuance of a certificate of need to develop any similar facility or service.

C

The application is conforming with all applicable Criteria and Standards for Nursing Facility or Adult Care Home Services. The specific criteria are discussed below.

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

10A NCAC 14C .1102 PERFORMANCE STANDARDS

(a) *An applicant proposing to add nursing facility beds to an existing facility, except an applicant proposing to transfer existing certified nursing facility beds from a State Psychiatric Hospital to a community facility, shall not be approved unless the average occupancy, over the nine months immediately preceding the submittal of the application, of the total number of licensed nursing facility beds within the facility in which the new beds are to be operated was at least 90 percent.*

-NA- The applicants do not propose to add nursing facility beds to an existing facility.

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

- NA- The applicants do not propose to establish a new nursing facility or add nursing facility beds to an existing facility.
- (c) *An applicant proposing to add adult care home beds to an existing facility shall not be approved unless the average occupancy, over the nine months immediately preceding the submittal of the application, of the total number of licensed adult care home beds within the facility in which the new beds are to be operated was at least 85 percent.*
- NA- The applicants do not propose to add adult care home beds to an existing facility.
- (d) *An applicant proposing to establish a new adult care home facility or add adult care home beds to an existing facility shall not be approved unless occupancy is projected to be at least 85 percent for the total number of adult care home beds proposed to be operated, no later than two years following the completion of the proposed project. All assumptions, including the specific methodologies by which occupancies are projected, shall be stated.*
- C- In supplemental information requested by the Agency, the applicant projects that the proposed facility will have an occupancy rate of 85.0% by the end of the second operating year following project completion. In supplemental information requested by the Agency, the applicant also describes the assumptions and methodology for projecting utilization. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.