

## REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA = Conforming as Conditioned

NC = Nonconforming

NA = Not Applicable

Decision Date: May 12, 2022

Findings Date: May 12, 2022

Project Analyst: Ena Lightbourne

Co-Signer: Micheala L. Mitchell

Project ID #: P-12184-22

Facility: The Embassy at Morehead City

FID #: 200738

County: Carteret

Applicant(s): Embassy Snug Harbor, LLC

HPG NC Morehead City, LLC

Project: Cost overrun for Project ID # P-11958-20 (develop a replacement NF facility)

### REVIEW CRITERIA

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

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

C

Embassy Snug Harbor, LLC and HPG NC Morehead City, LLC, collectively referred to as “the applicant,” propose a cost overrun (COR) for Project ID# P-11958-20 (Develop a 92-bed replacement nursing facility by relocating 42 NF beds and 50 ACH beds from Snug Harbor on Nelson Bay. The 50 ACH beds will include a 24-bed SCU).

A certificate of need was issued on January 5, 2021, for Project ID# P-11958-20 and authorized a capital cost of \$16,137,054. The current application proposes a capital cost increase of \$4,948,389 over the previously approved capital cost for a total combined capital cost of \$21,085,443. The applicant states that the cost overrun application is necessary due to the increased cost to develop the project. The current market conditions have driven up the costs for the price of the land, site preparation, construction, and equipment costs in comparison to

the estimated costs in 2020 when the original application was submitted. The applicant proposes no material change in the scope from the originally approved project.

### **Need Determination**

The original project did not involve a need determination pursuant to the 2020 SMFP and the current COR application does not involve the addition of any new health service facility beds, services, or equipment for which there is a need determination in the 2022 SMFP. Therefore, there are no need determinations applicable to this review.

Project ID# P-11958-20 was found to be consistent with *Policy NH-6: Relocation of Nursing Home Facility Beds* and *Policy NH-8: Innovations in Nursing Home Facility Design* as published in the 2020 SMFP. The applicant proposes no changes in the current application which would affect that determination.

In the current COR application, the combined projected capital cost to develop the project is greater than \$5 million; thus, *Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities* in the 2022 SMFP applies 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 \$2 million to develop, replace, renovate or add to a health service facility pursuant to G.S. 131E-178 shall include in its certificate of need application a written statement describing the project’s plan to assure improved energy efficiency and water conservation.*

*In approving a certificate of need proposing an expenditure greater than \$5 million to develop, replace, renovate or add to a health service facility pursuant to G.S. 131E-178, Certificate of Need shall impose a condition requiring the applicant to develop and implement an Energy Efficiency and Sustainability Plan for the project that conforms to or exceeds energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes. The plan must be consistent with the applicant’s representation in the written statement as described in paragraph one of Policy GEN-4.*

*Any person awarded a certificate of need for a project or an exemption from review pursuant to G.S. 131E-184 is required to submit a plan of energy efficiency and water conservation that conforms to the rules, codes and standards implemented by the Construction Section of the Division of Health Service Regulation. The plan must be consistent with the applicant’s representation in the written statement as described in paragraph one of Policy GEN-4. The plan shall not adversely affect patient or resident health, safety or infection control.”*

The combined proposed capital expenditure for this project is greater than \$5 million. In Section B, pages 26-28, the applicant describes the plans involved in achieving energy and water conservation goals and also provides a written statement:

*“During the design of this project, the applicants will work with the project architects and engineers to assure that the latest technologies for enhanced building energy efficiency and water conservation are evaluated for the project and incorporated into the facility where most appropriate.”*

The applicant provides a plan consistent with the written statement describing the project’s plan to assure improved energy efficiency and water conservation. Therefore, the application is consistent with Policy GEN-4.

### **Conclusion**

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 application does not propose any changes to the original proposal that would make any need determinations applicable to this review.
- The applicant adequately demonstrates that the proposal is consistent with Policy GEN-4 because the applicant provides 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 a cost overrun (COR) for Project ID# P-11958-20 (Develop a 92-bed replacement nursing facility by relocating 42 NF beds and 50 ACH beds from Snug Harbor on Nelson Bay. The 50 ACH beds will include a 24-bed SCU).

A certificate of need was issued on January 5, 2021, for Project ID# P-11958-20 and authorized a capital cost of \$16,137,054. The current application proposes a capital cost increase of \$4,948,389 over the previously approved capital cost for a total combined capital cost of \$21,085,443. The applicant states that the cost overrun application is necessary due to the increased cost to develop the project. The current market conditions have driven up the costs

for the price of the land, site preparation, construction, and equipment costs in comparison to the estimated costs in 2020 when the original application was submitted. The applicant proposes no material change in the scope from the originally approved project.

### **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 is Carteret County. Facilities may also serve residents of counties not included in their service area.

The application for Project ID# P-11958-20 adequately identified the current and projected patient origin for the facility at the time of the application. No changes are proposed in this application which would affect that determination.

### **Analysis of Need**

A certificate of need was issued on January 5, 2021, for Project ID# P-11958-20 and authorized a capital cost of \$16,137,054. The current application proposes a capital cost increase of \$4,948,389 over the previously approved capital cost for a total combined capital cost of \$21,085,443. The applicant states that the cost overrun application is necessary due to the increased cost to develop the project. The current market conditions have driven up the costs for the price of the land, site preparation, construction, and equipment costs in comparison to the estimated costs in 2020 when the original application was submitted. The applicant proposes no material change in the scope from the originally approved project.

The following table compares the previously approved capital cost and the proposed capital cost, as reported on Form F.1b in Section Q.

<b>The Embassy at Morehead City – Previously Approved and Proposed Capital Cost</b>			
	Previously Approved Capital Cost (P-11958-20)	New Total Capital Cost (P-12184-22)	Difference (Capital Cost for This Project)
Purchase Price of Land	\$900,000	\$924,600	\$24,600
Closing Costs	\$319,300	\$319,300	\$0
Site Preparation	\$1,200,000	\$1,800,000	\$600,000
Construction/Renovation Contract(s)	\$10,160,000	\$14,325,000	\$4,165,000
Landscaping	\$75,000	\$150,000	\$75,000
Architect/Engineering Fees	\$491,400	\$809,500	\$318,100
Medical Equipment	\$75,000	\$100,000	\$25,000
Non-Medical Equipment	\$312,000	\$375,000	\$63,000
Furniture	\$532,000	\$803,708	\$271,708
Consultant Fees (CON-related)	\$158,335	\$158,335	\$0
Financing Costs	\$58,000	\$100,000	\$42,000
Interest during Construction	\$1,186,019	\$500,000	-\$686,019
Other (permits/impact fees/taxes/insurances)	\$320,000	\$320,000	\$0
Other (contingency)	\$350,000	\$400,000	\$50,000
<b>Total Capital Costs</b>	<b>\$16,137,054</b>	<b>\$21,085,443</b>	<b>\$4,948,389</b>

In Section C, pages 38-41, the applicant describes the reasons the additional costs are necessary to develop the proposed project.

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

- Certain market conditions such as inflation, labor shortage and general supply issues has driven up the cost of construction, the primary cause of the cost overrun.
- The applicant provides supporting documentation in Exhibit C.8.2, an architect’s construction cost estimate.

Projected Utilization

In Project ID# P-11958-20, the Agency determined the applicant had demonstrated its projected utilization was based on reasonable and adequately supported assumptions. The applicant proposes no changes in the current application which would change the projected utilization from the previous project, or which would otherwise affect the Agency’s determination in that project.

Access to Medically Underserved Groups

The application for Project ID# P-11958-20 adequately demonstrated the extent to which all residents of the area, including underserved groups, were likely to have access to the proposed

services. The applicant proposes no changes in the current application which would affect that determination.

### **Conclusion**

The Agency reviewed the:

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

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

- The application for Project ID# P-11958-20 adequately identified the population to be served and there are no changes proposed in this application which would affect that determination.
- The applicant adequately explains why the proposed increase in projected capital cost is necessary to provide the population to be served with the services proposed in the application for Project ID# P-11958-20.
- Projected utilization was deemed reasonable and adequately supported in the application for Project ID# P-11958-20 and there are no changes proposed in this application which would affect that determination.
- The application for Project ID# P-11958-20 adequately identified the extent to which all residents, including underserved groups, were likely to have access to the proposed services, and there are no changes proposed in this application which would affect that determination.

- (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.

NA

The applicant is proposing to relocate beds that have not been occupied since November 2019. The applicant does not propose to reduce a service, eliminate a service or relocate a facility or service. Therefore, Criterion (3a) is not applicable to this review.

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

C

The applicant proposes a cost overrun (COR) for Project ID# P-11958-20 (Develop a 92-bed replacement nursing facility by relocating 42 NF beds and 50 ACH beds from Snug Harbor on Nelson Bay. The 50 ACH beds will include a 24-bed SCU).

In Section E, page 48, the applicant states that there were no other alternatives considered other than what was proposed in Project ID# P-11958-20. The applicant is well into the design and development of the replacement combination nursing facility. Additional capital costs are essential to complete the project. The applicant provided credible information to explain why it believes that seeking Agency approval for a cost overrun is the most effective alternative. The applicant proposes no changes in the current application which would affect that determination.

### **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. Embassy Snug Harbor, LLC and HPG NC Morehead City, LLC (hereinafter certificate holder) shall materially comply with the representations in this application and the representations in Project ID# P-11958-20. Where representations conflict, the certificate holder shall materially comply with the last made representation.**
- 2. The total combined capital expenditure for both projects is \$21,085,443, an increase of \$4,948,389 over the capital expenditure of \$16,137,054 previously approved in Project ID# P-11958-20.**
- 3. The certificate holder shall develop a 92-bed replacement nursing facility by relocating 42 nursing facility beds and 50 adult care home beds from Snug Harbor on Nelson Bay. The 50 adult care home beds will include a 24-bed special care unit.**
- 4. Upon completion of this project and Project ID# P-11958-20, the certificate holder shall be licensed for more than 42 nursing facility beds and 50 adult care home beds. The 50 adult care home beds shall include a 24-bed special care unit.**
- 5. For the first two years of operation following completion of the project, the certificate holder 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 made in the certificate of need application.**

- 6. The certificate holder shall develop and implement an Energy Efficiency and Sustainability Plan for the project that conforms to or exceeds energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes.**
  - 7. Progress Reports:**
    - a. Pursuant to G.S. 131E-189(a), the certificate holder shall submit periodic reports on the progress being made to develop the project consistent with the timetable and representations made in the application on the Progress Report form provided by the Healthcare Planning and Certificate of Need Section. The form is available online at: <https://info.ncdhhs.gov/dhsr/coneed/progressreport.html>.**
    - b. The certificate holder shall complete all sections of the Progress Report form.**
    - c. The certificate holder shall describe in detail all steps taken to develop the project since the last progress report and should include documentation to substantiate each step taken as available.**
    - d. Progress reports shall be due on the first day of every fourth month. The first progress report shall be due on October 1, 2022. The second progress report shall be due on February 1, 2023 and so forth.**
  - 8. 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.**
  - 9. 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.**
  - 10. 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.



The applicant proposes a cost overrun (COR) for Project ID# P-11958-20 (Develop a 92-bed replacement nursing facility by relocating 42 NF beds and 50 ACH beds from Snug Harbor on Nelson Bay. The 50 ACH beds will include a 24-bed SCU).

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The following table compares the previously approved capital cost and the proposed capital cost, as reported on Form F.1b in Section Q.

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<b>Total Capital Costs</b>	<b>\$16,137,054</b>	<b>\$21,085,443</b>	<b>\$4,948,389</b>

In Section C, pages 38-41, 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:

- Certain market conditions such as inflation, labor shortage and general supply issues has driven up the cost of construction, the primary cause of the cost overrun.

- The applicant provides supporting documentation in Exhibit C.8.2, an architect's construction cost estimate.

In Section F, page 57, the applicant states that the cost overrun does not result in any increase to the projected total working capital costs. In the application for Project ID# P-11958-20, the applicant adequately demonstrates that the projected working capital needs of the project are based on reasonable and adequately supported assumptions and no changes are proposed in this application which would affect that determination.

### **Availability of Funds**

In Section F, page 55, the applicant states that the capital cost will be funded, as shown in the table below:

<b>Type</b>	<b>HPG NC Morehead City, LLC</b>	<b>Total</b>
Loans	\$0	\$0
Accumulated reserves or OE *	\$4,948,389	\$4,948,389
Bonds	\$0	\$0
Other (Specify)	\$0	\$0
Total Financing	\$4,948,389	\$4,948,389

\* OE = Owner's Equity

Exhibit F.5 contains a letter dated January 5, 2022, from the CEO and founder of Leo Brown Group, LLC (LBG), the sole member of HPG NC Morehead City, LLC ("applicant"), stating LBG's commitment to fund the additional capital costs. Exhibit F.5 also contains two letters from a financial institution and a managing partner, verifying LBG's access to sufficient funds to invest in the project.

The applicant adequately demonstrates the availability of sufficient funds for the capital and working capital needs of the 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 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 table below.

<b>The Embassy at Morehead City Nursing Facility Beds</b>	<b>1<sup>st</sup> Full Fiscal Year</b>	<b>2<sup>nd</sup> Full Fiscal Year</b>	<b>3<sup>rd</sup> Full Fiscal Year</b>
Total Patient Days	9,009	14,543	14,898
Total Gross Revenues (Charges)	\$3,016,392	\$4,965,644	\$5,187,282
Total Net Revenue	\$2,978,687	\$4,881,849	\$5,099,747
Average Net Revenue per Patient Day	\$331	\$336	\$342
Total Operating Expenses (Costs)	\$2,781,081	\$3,721,313	\$3,810,938
Average Operating Expense per Patient Day	\$309	\$256	\$256
Net Income	\$197,606	\$1,160,536	\$1,288,809

The assumptions used by the applicant in preparation of the pro forma financial statements are provided in Section E, pages 57-58. The applicant adequately demonstrates that the financial feasibility of the proposal is reasonable and adequately supported based on the following:

- Changes to revenue include higher private pay charge rates to cover higher projected capital costs.
- Changes to the projected operating costs include higher facility rent to cover the increased depreciation and amortization costs associates with higher projected capital costs.
- Projected utilization is based on reasonable and adequately supported assumptions. See the discussion regarding projected utilization in Criterion (3) of the application for Project ID# P-11958-20, which is incorporated herein by reference.

**Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

- The applicant adequately demonstrates that the capital 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.

The applicant proposes a cost overrun (COR) for Project ID# P-11958-20 (Develop a 92-bed replacement nursing facility by relocating 42 NF beds and 50 ACH beds from Snug Harbor on Nelson Bay. The 50 ACH beds will include a 24-bed SCU).

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 is Carteret County. Facilities may also serve residents of counties not included in their service area.

The application for Project ID# P-11958-20 adequately demonstrated that the project would not result in unnecessary duplication of existing or approved services in the service area and no changes are proposed in this application which would affect that determination.

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 a cost overrun (COR) for Project ID# P-11958-20 (Develop a 92-bed replacement nursing facility by relocating 42 NF beds and 50 ACH beds from Snug Harbor on Nelson Bay. The 50 ACH beds will include a 24-bed SCU).

The application for Project P-11958-20 adequately demonstrated the availability of resources, including health manpower and management personnel to provide the proposed services and no changes are proposed in this application which would affect that determination.

### **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 a cost overrun (COR) for Project ID# P-11958-20 (Develop a 92-bed replacement nursing facility by relocating 42 NF beds and 50 ACH beds from Snug Harbor on Nelson Bay. The 50 ACH beds will include a 24-bed SCU).

The application for Project ID# P-11958-20 adequately demonstrated the availability of the ancillary and support services necessary to the provision of the proposed services and adequately demonstrated the proposed services would be coordinated with the existing healthcare system and no changes are proposed in this application which would affect that determination.

**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 a cost overrun (COR) for Project ID# P-11958-20 (Develop a 92-bed replacement nursing facility by relocating 42 NF beds and 50 ACH beds from Snug Harbor on Nelson Bay. The 50 ACH beds will include a 24-bed SCU).

In Section K, page 70, the applicant states that the project involves constructing a total of 70,055 square feet of new space which is 6,555 square feet more than it proposed in Project ID# P-11958-20. Line drawings are provided in Exhibit K.5.1.

On page 70, the applicant states that the original facility design was revised for more operational efficiency and to introduce additional recreational and amenities areas for residents and their guests.

On page 71, 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 estimated capital cost is based on the current market conditions and the architect's experience with similar projects.
- The applicant has a history of developing long-term care facility projects and states that this project is designed to incorporate the most cost-effective design and means of construction.
- The applicant provides supporting documentation in Exhibit C.8.2.

On page 71, the applicant adequately explains why the proposal will not unduly increase the cost to the applicant of providing the proposed services or the costs and charges to the public for the proposed services. The applicant was approved to relocate NF and ACH beds that are not currently occupied, to a new, state-of-the-art combination facility in Carteret County. The additional capital cost will not unduly increase the cost to the applicant because the project's outcome will enhance access to NF services to current and future residents in the service area.

On pages 72-73, the applicant identifies any applicable energy saving features that will be incorporated into the construction plans.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is conforming to this criterion for all the reasons described above.

- (13) The applicant shall demonstrate the contribution of the proposed service in meeting the health-related needs of the elderly and of members of medically underserved groups, such as medically indigent or low income persons, Medicaid and Medicare recipients, racial and ethnic minorities, women, and ... 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 application for Project ID# P-11958-20 was conforming to this criterion and the applicant proposes no changes in the current application which would affect that determination.

- (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

The application for Project ID# P-11958-20 was conforming to this criterion and the applicant proposes no changes in the current application which would affect that determination.

- (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

The application for Project ID# P-11958-20 was conforming to this criterion and the applicant proposes no changes in the current application which would affect that determination.

- (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

The application for Project ID# P-11958-20 was conforming to this criterion and the applicant proposes no changes in the current application which would affect that determination.

- (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 a cost overrun (COR) for Project ID# P-11958-20 (Develop a 92-bed replacement nursing facility by relocating 42 NF beds and 50 ACH beds from Snug Harbor on Nelson Bay. The 50 ACH beds will include a 24-bed SCU).

The application for Project ID# P-11958-20 adequately demonstrated that the proposed health services will accommodate the clinical needs of health professional training programs in the area. The applicant proposes no changes in the current application which would affect that determination.

### **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 a cost overrun (COR) for Project ID# P-11958-20 (Develop a 92-bed replacement nursing facility by relocating 42 NF beds and 50 ACH beds from Snug Harbor on Nelson Bay. The 50 ACH beds will include a 24-bed SCU).

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 is Carteret County. Facilities may also serve residents of counties not included in their service area.

The application for Project ID# P-11958-20 adequately demonstrated the expected effects of the proposed services on competition and how any enhanced competition would have a positive impact on cost-effectiveness, quality, and access to the services proposed. The applicant proposes no changes in this application which would affect that determination.

## **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.

NA

Neither the applicant nor any related entities own, operate, or manage an existing health service facility located in North Carolina. Therefore, Criterion (20) is not applicable to this review.

(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 all 42 existing NF beds and 50 ACH beds at Snug Harbor on Nelson Bay from their current location to a replacement facility. The Criteria and Standards for Nursing Facility or Adult Care Home Services, promulgated in 10A NCAC 14C .1100, were not applicable to the review because the applicant was not proposing to add new NF or ACH beds to an existing facility or to develop a new facility. The applicant proposes no changes in the current application which would affect that determination.