

REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conforming as Conditioned

NC = Nonconforming

NA = Not Applicable

Decision Date: October 21, 2022

Findings Date: October 21, 2022

Project Analyst: Tanya M. Saporito

Co-Signer: Gloria C. Hale

Project ID #: F-12234-22

Facility: PruittHealth-Town Center

FID #: 980641

County: Cabarrus

Applicant(s): PruittHealth-Town Center, LLC

The Heritage Properties at Town Center, Inc.

Project: Add no more than 36 NF beds pursuant to the need determination in the 2022 SMFP for a total of no more than 106 NF 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

PruittHealth-Town Center, LLC and The Heritage Properties at Town Center, Inc., collectively referred to as “the applicant”, propose to add no more than 36 NF beds to PruittHealth-Town Center (PHTC) in Cabarrus County, for a total of no more than 106 NF beds upon project completion.

Need Determination

The 2022 State Medical Facilities Plan (SMFP) includes a need methodology for determining the need for additional nursing home beds in North Carolina by service area. Chapter 10, Table 10D on page 176 of the 2022 SMFP shows no need anywhere in the State for new nursing facility beds. However, in response to a petition submitted by Pruitt Health Inc., the ultimate

parent company of Pruitt Health-Town Center, LLC and The Heritage Properties at Town Center, Inc., the State Health Coordinating Council approved a petition for an adjusted need determination for 36 nursing facility (NF) beds for Cabarrus County.

The applicant does not propose to develop more new nursing facility beds than are determined to be needed in Cabarrus County in the 2022 SMFP. Therefore, the application is consistent with the adjusted need determination in the 2022 SMFP for 36 NF beds for Cabarrus County.

Policies

There are two policies in the 2022 SMFP which are applicable to this review: *Policy GEN-3: Basic Principles* and *Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities*.

Policy GEN-3: Basic Principles, on page 30 of the 2022 SMFP, states:

“A certificate of need applicant applying to develop or offer a new institutional health service for which there is a need determination in the North Carolina State Medical Facilities Plan shall demonstrate how the project will promote safety and quality in the delivery of health care services while promoting equitable access and maximizing healthcare value for resources expended. A certificate of need applicant shall document its plans for providing access to services for patients with limited financial resources and demonstrate the availability of capacity to provide these services. A certificate of need applicant shall also document how its projected volumes incorporate these concepts in meeting the need identified in the State Medical Facilities Plan as well as addressing the needs of all residents in the proposed service area.”

In Section B, pages 24-24 the applicant explains how the application is conforming to Policy GEN-3.

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 \$5 million dollars. In Section B, page 26, the applicant describes its plan to assure improved energy efficiency and water conservation.

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 applicant does not propose to develop more NF beds than have been determined to be needed the 2022 SMFP.
- The applicant adequately demonstrates that the proposal is consistent with Policy GEN-3.
- The applicant adequately demonstrates that the proposal is consistent with Policy GEN-4.

(2) Repealed effective July 1, 1987.

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

C

The applicant proposes to add no more than 36 NF beds to PruittHealth-Town Center in Cabarrus County pursuant to an adjusted need determination in the 2022 SMFP, for a total of no more than 106 NF beds upon project completion.

Patient Origin

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

The following table illustrates PHTC’s historical patient origin for the last full fiscal year (FY), July 1, 2021-June 30, 2022, from page 32 of the application:

**PruittHealth-Towne Center Historical Patient Origin
 FY 2022 (July 1, 2021-June 30, 2022)**

COUNTY	# OF PATIENTS	% OF TOTAL
Cabarrus	259	69.3%
Mecklenburg	58	15.5%
Other	57	15.2%
Total	374	100.0%

Source: Application page 32

The following table illustrates PHTC’s projected patient origin for the first three full FYs following project completion (FYs 2026-2028), from page 33 of the application:

**PruittHealth-Town Center Projected Patient Origin
 FY 2026-FY 2028**

COUNTY	1 ST FULL FY (7/1/25-6/30/26)		2 ND FULL FY (7/1/26-6/30/27)		3 RD FULL FY (7/1/27-6/30/28)	
	# OF PATIENTS	% OF TOTAL	# OF PATIENTS	% OF TOTAL	# OF PATIENTS	% OF TOTAL
Cabarrus	523	69.3%	601	69.3%	623	69.3%
Mecklenburg	117	15.5%	135	15.5%	139	15.5%
Other	115	15.2%	132	15.2%	137	15.2%
Total	755	100.0%	867	100.0%	899	100.0%

Source: Application page 33

In Section C, page 33, the applicant provides the assumptions and methodology used to project its patient origin, which is based on the historical patient origin of PHTC.

The applicant’s assumptions are reasonable and adequately supported because the applicant assumes projected patient origin will be the same as historical patient origin.

Analysis of Need

In Section C, pages 34-41, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, as summarized below:

- Continued Need for Nursing Facility Services in Cabarrus County – the applicant refers to its approved petition for an adjusted need determination for additional NF beds in Cabarrus County, stating that the decrease in NF beds during the COVID-19 pandemic was attributable to the Pandemic and not an indication of permanent downward trends in NF utilization. The applicant states the 2021 SMFP reported a need for additional

NF beds in Cabarrus County, and the 2022 proposed SMFP reported a surplus of 160 NF beds. The applicant states there is an existing and continuing need for additional NF beds in Cabarrus County, and the impact of COVID-19 on nursing facilities was anomalous (pages 34-36).

- Cabarrus County population growth and aging – the applicant states that, from 2017-2022, the 55+ population in Cabarrus County increased by 20.8% and is projected to increase by 18.8% from 2022 to 2027. Citing data from the North Carolina Office of State Budget and Management (OSBM), the applicant states the older population (age 85+) is projected to increase by 25.5% during that same time (page 36).
- Mecklenburg County population growth and aging – the applicant cites similar data from the NC OSBM for Mecklenburg County, stating that the 55+ Mecklenburg County population grew by 34.4% from 2017-2022 and is projected to increase by 17.3% from 2022-2027. In particular, the 85+ population is projected to increase by 28.3% during that same time. The applicant cites additional research that states as the “Baby Boomer” generation ages, they will increasingly need access to NF services (page 37).
- Mecklenburg and Cabarrus counties life expectancy – the applicant states the need for nursing services increases with a person’s age. The applicant cites data from the North Carolina State Center for Health Statistics that shows the life expectancy of older Cabarrus and Mecklenburg county residents has increased since 1992, thus substantiating the need for additional nursing services (pages 37-41).
- The applicant concludes by summarizing the cited data and concluding that the proposed 36-bed addition will allow PruittHealth-Town Center to increase the provision of nursing facility services to the residents in the service area.

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

- The facility’s current need for additional NF bed capacity.
- The overall projected population growth in Cabarrus and Mecklenburg counties.
- The projected population growth of the 85+ population cohort in Cabarrus and Mecklenburg counties.

Projected Utilization

In Section Q, Forms C.1a and C.1b, the applicant provides historical and projected utilization for the last, interim and projected fiscal years (FY), as illustrated in the following table:

PruittHealth-Town Center Historical and Projected Utilization

	LAST FY 7/1/2021- 6/30/2022	INTERIM FY 7/1/2022- 6/30/2023	INTERIM FY 7/1/2023- 6/30/2024	INTERIM FY 7/1/2024- 6/30/2025	1 ST FY 7/1/2025- 6/30/2026	2 ND FY 7/1/2026- 6/30/2027	3 RD FY 7/1/2027- 6/30/2028
Number of Beds	70	70	70	70	106	106	106
Number of Admissions	374	488	541	594	755	867	899
Number of Pt. Days	17,766	19,928	22,090	24,252	30,827	35,429	36,724
ALOS*	47.5	40.8	40.8	40.8	40.8	40.8	40.8
Occupancy Rate	69.5%	77.9%	86.4%	94.9%	79.6%	91.5%	94.9%

In Section Q in unnumbered pages following Forms C.1a and C.1b, the applicant provides the assumptions and methodology used to project utilization, as summarized below:

- The applicant summarized the historical days of care provided from FY 2019-FY 2022 (July 2019-June 2022).
- The applicant summed the days of care according to its fiscal year and then calculated the annual rate of change, year to year, and accounted for decreased days of care during the COVID-19 pandemic. Based on the historical days of care, and accounting for the utilization decrease during COVID-19, the applicant projects utilization to return to pre-COVID volumes, particularly with the addition of the new 36-bed wing and the addition of patient care staff. The following table summarizes the annual rate of change:

	Historical			Interim			
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Days of Care	24,252	23,276	17,315	17,766	19,928	22,090	24,252
Annual Change		-4.0%	-25.6%	2.6%	12.2%	10.8%	9.8%

Source: Section Q, Assumptions following Form C.1b

- The applicant projected days of care for the three project years, assuming a ramp-up in utilization following the addition of the proposed NF beds. In the first project year, the applicant projects the new beds will be utilized at 50% of capacity, in the second project year 85% and in the third project year 94.9%, which is consistent with its pre-COVID historical utilization. Although the percentages appear to be higher than the most recent historical utilization, the applicant projects an annual change rate of 27.1% in the first project year, 14.9% in the second and a 3.7% annual change rate as of the third project year. The applicant provides illustrative tables in its assumptions in Section Q.
- The applicant calculated the annual utilization rate for the facility by dividing projected days of care by the total number of available days, to reach 79.6% overall facility utilization in project year one, 91.5% utilization in project year two and 94.9% utilization in project year three.

- The applicant calculated the three-year average days of care per admission by dividing historical days of care for the three-year period FY 2020-FY 2022 by the annual admissions for the same time period. The three-year average was 40.8 average days of care per admission.
- Utilizing the historical average days of care per admission, the applicant projected future average days of care per admission by multiplying the historical average by the projected days of care. See the following table that summarizes the applicant’s methodology:

	INTERIM			PROJECTED		
	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Days of Care	19,928	22,090	24,252	30,827	35,429	36,724
Avg. Days/Year*	40.8	40.8	40.8	40.8	40.8	40.8
Avg. Days /Admission	488	541	594	755	867	899

Source: Section Q following Form C.1b
 Numbers may not sum due to rounding

*The applicant labeled this row “Beds”. The Project Analyst determined this was a typographical error.

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

- The applicant projects utilization based on the historical experience of the facility.
- The applicant accounts for the decrease in utilization as a result of the COVID-19 pandemic and projects a slow ramp-up in utilization as the impact of COVID-19 wanes.
- The applicant accounts for the projected population growth in the service area and the need for additional NF bed capacity at the facility due to high demand.
- The applicant’s projections are consistent with historical utilization based on the Project Analyst’s analysis of the License Renewal Applications (LRA) for 2017-2021, in which utilization levels at the facility were between a low of 83.5% reported on the 2021 LRA and a high of 94.9% reported on the 2019 LRA, immediately before the COVID-19 pandemic.

Access to Medically Underserved Groups

In Section C, page 47, the applicant states:

“PruittHealth-Town Center will be equally accessible to all persons, including those with low income, racial and ethnic minority groups, women, people with disabilities, the elderly, and Medicare beneficiaries and Medicaid recipients.”

The applicant provides the estimated percentage for each medically underserved group during the third full fiscal year, as shown in the following table:

MEDICALLY UNDERSERVED GROUPS	PERCENTAGE OF TOTAL PATIENTS
Low income persons	72.6%
Racial and ethnic minorities	15.1%
Women	60.0%
Persons with Disabilities	NA
The elderly	93.3%
Other Underserved Groups	NA

Source: Section C, page 47 and clarifying information requested by the Agency

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:

- PruittHealth-Town Center is an existing facility currently serving medically underserved groups.
- The applicant's projections are based on historical and recent experiences at the facility.

Conclusion

The Agency reviewed the:

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

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

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

NA

The applicant proposes to add no more than 36 NF beds to PruittHealth-Towne Center in Cabarrus County pursuant to an adjusted need determination in the 2022 SMFP, for a total of no more than 106 NF beds upon project completion.

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 to add no more than 36 NF beds to PruittHealth-Towne Center in Cabarrus County pursuant to an adjusted need determination in the 2022 SMFP, for a total of no more than 106 NF beds upon project completion.

In Section E, pages 58-59, the applicant describes the alternatives it considered and explains why each alternative is either more costly or less effective than the alternative proposed in this application to meet the need. The alternatives considered were:

- Maintain the Status Quo – The applicant states that maintaining the status quo is not an effective alternative because it is an older nursing facility with 33 semi-private rooms and four private rooms. Not adding additional NF beds will not be effective.
- Develop fewer NF beds – The applicant considered developing a different number of NF beds by reviewing the existing nursing facilities in Cabarrus County and found that the most effective alternative to achieve economies of scale and to best accommodate patients’ desire for private rooms is to develop a wing with both private and semi-private rooms.
- Develop a special care unit – The applicant considered adding a special care unit to its facility as part of the project but determined this would not best serve its existing and projected patients, given the population it proposes to serve in Cabarrus County.

On page 59, the applicant states that the proposal is the most effective alternative because it would meet the needs of the patient population served by PruittHealth-Town Center.

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

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

Conclusion

The Agency reviewed the:

- Application

- Exhibits to the application

Based on that review, the Agency concludes that the application is conforming to this criterion for the reasons stated above. Therefore, the application is approved subject to the following conditions:

- 1. PruittHealth-Town Center, LLC (hereinafter certificate holder) shall materially comply with all representations made in the certificate of need application and any supplemental responses. If representations conflict, the certificate holder shall materially comply with the last made representation.**
- 2. The certificate holder shall add no more than 36 nursing facility beds to PruittHealth-Town Center, for a total of no more than 106 NF beds upon project completion.**
- 3. 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 in the certificate of need application.**
- 4. Progress Reports:**
 - a. Pursuant to G.S. 131E-189(a), the certificate holder shall submit periodic reports on the progress being made to develop the project consistent with the timetable and representations made in the application on the Progress Report form provided by the Healthcare Planning and Certificate of Need Section. The form is available online at: <https://info.ncdhhs.gov/dhsr/coneed/progressreport.html>.**
 - b. The certificate holder shall complete all sections of the Progress Report form.**
 - c. The certificate holder shall describe in detail all steps taken to develop the project since the last progress report and should include documentation to substantiate each step taken as available.**
 - d. The first progress report shall be due on May 1, 2023.**
- 5. 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.**
- 6. 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.**

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

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

C

The applicant proposes to add no more than 36 NF beds to PruittHealth-Towne Center in Cabarrus County pursuant to an adjusted need determination in the 2022 SMFP, for a total of no more than 106 NF beds upon project completion.

Capital and Working Capital Costs

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

PRUITT HEALTH-TOWN CENTER CAPITAL COSTS	
Site Costs	\$1,070,000
Construction/Renovation Contract(s)	\$5,765,386
Architect/Engineering Fees	\$443,200
Furniture	\$956,040
Other	\$1,150,914
Total	\$9,385,540

In Exhibit F.1, the applicant provides cost estimates and equipment lists it used to project the capital cost. The applicant adequately demonstrates that the projected capital cost is based on reasonable and adequately supported assumptions because the applicant's proposal includes the addition of beds to an existing facility and includes an architect's cost estimate and furniture and other equipment cost estimates.

On page 62, the applicant states that there will be no start-up or initial operating costs associating with this project.

Availability of Funds

In Section F, page 60, the applicant states that the capital cost will be funded as shown in the table below:

Sources of Capital Cost Financing

TYPE	THE HERITAGE PROPERTIES AT TOWN CENTER, INC.	TOTAL
Loans	\$7,508,432	\$7,508,432
Cash, Cash Equivalents, Accumulated reserves or OE*	\$1,877,108	\$1,877,108
Bonds	\$0	\$0
Other (Specify)	\$0	\$0
Total Financing	\$9,358,540	\$9,358,540

* OE = Owner's Equity

Exhibit F.2 contains a letter dated July 10, 2022, from Capital Funding Group that indicates an intent to consider financing up to 80% of the approved capital cost of the project, or \$7,508,432, along with an amortization schedule for the loan. In addition, Exhibit F.2 contains a July 10, 2022 letter signed by the Chief Investment Officer for PruittHealth that confirms availability of and commitment to use up to \$1.9 million for the remaining capital cost of the project. Exhibit F.2 contains a statement dated July 8, 2022 from Synovus Bank which indicates a total of \$8.5 million in "current available" funds for PruittHealth.

The applicant adequately demonstrates the availability of sufficient funds for the 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:

PRUITT HEALTH-TOWN CENTER NURSING FACILITY BEDS	1ST FULL FISCAL YEAR	2ND FULL FISCAL YEAR	3RD FULL FISCAL YEAR
	FFY 2026	FFY 2027	FFY 2028
Total Patient Days	30,827	35,429	36,724
Total Gross Revenues (Charges)	\$21,498,376	\$25,216,594	\$26,677,329
Total Net Revenue	\$13,028,016	\$15,281,256	\$16,166,462
Average Net Revenue per Patient Day	\$423	\$431	\$440
Total Operating Expenses (Costs)	\$11,027,485	\$12,803,761	\$13,590,313
Average Operating Expense per Patient Day	\$358	\$361	\$370
Net Income	\$2,000,531	\$2,477,495	\$2,576,149

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

- The applicant projects gross revenue based on actual facility charges and its own historical experience in providing the same services.
- Projected revenue includes anticipated COVID-related funds over the next several years.
- Projected utilization is based on reasonable and adequately supported assumptions. See the discussion regarding projected utilization in Criterion (3) which is incorporated herein by reference.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

The applicant proposes to add no more than 36 NF beds to PruittHealth-Towne Center in Cabarrus County pursuant to an adjusted need determination in the 2022 SMFP, for a total of no more than 106 NF beds upon project completion.

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

Based on data reported in Table 10A, page 151 of the 2022 SMFP, Cabarrus County currently has seven nursing facilities with a total of 691 licensed nursing facility beds, with 24 excluded from the planning inventory, as summarized below:

FACILITY	TOTAL AVAILABLE NF BEDS	SUM OF EXCLUSION	TOTAL PLANNING INVENTORY
Accordius Health at Concord	120	0	120
Brian Center Health & Retirement/Cabarrus	90	0	90
Five Oaks Manor	160	0	160
PruittHealth-Town Center	70	0	70
The Gardens of Taylor Glen Retirement Community	24	24	0
Transitional Health Services of Kannapolis	107	0	107
Universal Health Care and Rehabilitation Center	120	0	120
Total	691	24	667

In Section, G, page 69, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved nursing facility services in Cabarrus County. The applicant states:

“Due to the COVID-19 pandemic, utilization of nursing home beds decreased with the increase in resident susceptibility of the virus. PruittHealth-Town Center expects utilization to increase and to recover from the pandemic in the next several years.”

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 result in an increase of 36 NF beds in Cabarrus County, in which the occupancy reported in Table 10C, page 171 of the 2022 SMFP is 80%.
- The applicant’s proposal is based on the need for additional NF bed capacity at its existing facility and in the service area.
- The applicant’s proposal is based on a petition for an adjusted need determination approved by the State Health Coordinating Council.

Conclusion

The Agency reviewed the:

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

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

- (7) The applicant shall show evidence of the availability of resources, including health manpower and management personnel, for the provision of the services proposed to be provided.

The applicant proposes to add no more than 36 NF beds to PruittHealth-Towne Center in Cabarrus County pursuant to an adjusted need determination in the 2022 SMFP, for a total of no more than 106 NF beds upon project completion.

In Section Q, page 121, the applicant provides current and projected full-time equivalent (FTE) staffing for the proposed services, as illustrated in the following table.

POSITION	CURRENT FTE STAFF	PROJECTED FTE STAFF
	(As of 01/01/2022)	2 ND FULL FISCAL YEAR (FFY 2027)
Director of Health Services	1.0	1.0
RN MDS Nurse	1.0	1.0
RN SNF Certified	8.8	13.4
LPN SNF Certified	8.0	12.2
Aide SNF DOM	1.0	1.0
Aide SNF Certified	20.8	31.6
Medical Records	1.0	1.0
Social Services	1.0	1.0
Activities	1.0	1.0
Dietary	6.3	9.5
Laundry & Linen	1.9	1.9
Housekeeping	6.3	9.5
Plant Operations & Maintenance	1.0	1.0
Administration	3.4	3.4
Admissions	1.0	1.0
Total	63.3	89.5

The assumptions and methodology used to project staffing are provided in Section Q following Form H. Adequate operating expenses for the health manpower and management positions proposed by the applicant are budgeted in F.3b. In Section H, pages 71-73, 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 bases its staffing on the existing facility staff as well as the applicant’s experience in operating and staffing nursing facilities in North Carolina.
- The applicant does not anticipate difficulty in recruiting staff because of the applicant’s experience.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

- (8) The applicant shall demonstrate that the provider of the proposed services will make available, or otherwise make arrangements for, the provision of the necessary ancillary and support services. The applicant shall also demonstrate that the proposed service will be coordinated with the existing health care system.

C

The applicant proposes to add no more than 36 NF beds to PruittHealth-Towne Center in Cabarrus County pursuant to an adjusted need determination in the 2022 SMFP, for a total of no more than 106 NF beds upon project completion.

Ancillary and Support Services

In Section I, page 75, the applicant identifies the necessary ancillary and support services for the proposed NF services. On pages 76-77, the applicant explains how each ancillary and support service is or will be made available. The applicant adequately demonstrates that the necessary ancillary and support services will be made available because all ancillary and support services are already provided by the facility.

Coordination

In Section I, page 77, the applicant describes its existing relationships with other local health care and social service providers. The applicant states it has standing working agreements that have been in place for 12 years and will not change following the addition of the proposed NF beds. The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system because the applicant has been providing these services and does not anticipate a change in the provision of the services or coordination with local health care providers.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application.

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

- (9) An applicant proposing to provide a substantial portion of the project's services to individuals not residing in the health service area in which the project is located, or in adjacent health

service areas, shall document the special needs and circumstances that warrant service to these individuals.

NA

The applicant does not project to provide the proposed services to a substantial number of persons residing in Health Service Areas (HSAs) that are not adjacent to the HSA in which the services will be offered. Furthermore, the applicant does not project to provide the proposed services to a substantial number of persons residing in other states that are not adjacent to the North Carolina county in which the services will be offered. Therefore, Criterion (9) is not applicable to this review.

- (10) When applicable, the applicant shall show that the special needs of health maintenance organizations will be fulfilled by the project. Specifically, the applicant shall show that the project accommodates: (a) The needs of enrolled members and reasonably anticipated new members of the HMO for the health service to be provided by the organization; and (b) The availability of new health services from non-HMO providers or other HMOs in a reasonable and cost-effective manner which is consistent with the basic method of operation of the HMO. In assessing the availability of these health services from these providers, the applicant shall consider only whether the services from these providers:
- (i) would be available under a contract of at least 5 years duration;
 - (ii) would be available and conveniently accessible through physicians and other health professionals associated with the HMO;
 - (iii) would cost no more than if the services were provided by the HMO; and
 - (iv) would be available in a manner which is administratively feasible to the HMO.

NA

The applicant is not an HMO. Therefore, Criterion (10) is not applicable to this review.

- (11) Repealed effective July 1, 1987.
- (12) Applications involving construction shall demonstrate that the cost, design, and means of construction proposed represent the most reasonable alternative, and that the construction project will not unduly increase the costs of providing health services by the person proposing the construction project or the costs and charges to the public of providing health services by other persons, and that applicable energy saving features have been incorporated into the construction plans.

C

The applicant proposes to add no more than 36 NF beds to PruittHealth-Towne Center in Cabarrus County pursuant to an adjusted need determination in the 2022 SMFP, for a total of no more than 106 NF beds upon project completion.

In Section K, page 80, the applicant states that the project involves constructing 21,761 square feet of new space and renovating 750 square feet of existing space. Line drawings are provided in Exhibit K.1.

On page 81, the applicant adequately explains how the cost, design and means of construction represent the most reasonable alternative for the proposal based on the following:

- The applicant is proposing cost-effective construction to accommodate the addition of the proposed 36 NF beds.
- The project will require minor renovations to existing space to accommodate the addition of the proposed 36 NF beds.

On page 81, the applicant adequately explains why the proposal will not unduly increase the costs to the applicant of providing the proposed services or the costs and charges to the public for the proposed services based on the following:

- The purpose of the project is to more effectively serve the existing and projected NF population in Cabarrus County at minimal costs.
- The applicant's proposal to add 36 NF beds to an existing facility will be constructed in compliance with all applicable energy federal, state and local building codes to maximize efficiency and minimize costs.

On page 81, the applicant identifies any applicable energy saving features that will be incorporated into the construction plans and provides supporting documentation in Exhibit C.1.

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

In Section L, page 84, the applicant provides the historical payor mix during CY 2021 for the proposed services, as shown in the table below:

PruittHealth-Town Center Historical Payor Mix, CY 2021

PAYOR SOURCE	% OF TOTAL PTS.
Self-Pay	5.4%
Medicare*	46.2%
Medicaid*	7.8%
Insurance*	27.4%
Other (UniHealth and Hospice)	13.2%
Total	100.0%

*Including any managed care plans.

In Section L, page 72, the applicant provides the following comparison.

PRUITT HEALTH-TOWN CENTER	PERCENTAGE OF TOTAL PATIENTS SERVED BY THE FACILITY OR CAMPUS DURING THE LAST FULL FY	PERCENTAGE OF THE POPULATION OF THE SERVICE AREA
Female	60.0%	51.2%
Male	40.0%	48.8%
Unknown		
64 and Younger	6.7%	86.6%
65 and Older	93.3%	13.4%
American Indian	0.0%	0.7%
Asian	0.2%	4.7%
Black or African-American	14.9%	19.6%
Native Hawaiian or Pacific Islander	0.0%	0.1%
White or Caucasian	75.9%	72.4%
Other Race	--	
Declined / Unavailable	9.0%	--

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

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

C

Regarding any obligation to provide uncompensated care, community service or access by minorities and persons with disabilities, in Section L, page 86, the applicant states that the facility is under no obligation to provide uncompensated care, community service or access by minorities and persons with disabilities.

In Section L, page 86, the applicant states that during the 18 months immediately preceding the application deadline, no patient civil rights access complaints have been filed against the facility or any similar facilities owned by the applicant or a related entity and located in North Carolina.

The Agency reviewed the:

- Application
- Exhibits to the application

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

- (c) That the elderly and the medically underserved groups identified in this subdivision will be served by the applicant's proposed services and the extent to which each of these groups is expected to utilize the proposed services; and

C

In Section L, page 87, the applicant projects the following payor mix for the proposed NF services during the third full fiscal year of operation following completion of the project, as shown in the table below:

PROJECTED PAYOR MIX CY 2025	
PAYOR CATEGORY	NURSING FACILITY SERVICES AS PERCENT OF TOTAL
Self-Pay	5.4%
Medicare*	46.2%
Medicaid*	7.8%
Insurance*	27.4%
Other**	13.2%
Total	100.0%

*Including any managed care plans.

**Applicant states "other" includes UniHealth and Hospice

As shown in the table above, during the third full fiscal year of operation, the applicant projects that 5.4% of total NF services will be provided to self-pay patients, 46.2% to Medicare patients and 7.8% to Medicaid patients.

On page 87, 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, which is reasonable and adequately supported. The applicant's projected payor mix is based on its prior experience at the existing facility.

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

In Section L, page 88, 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
- Supplemental information requested by the Agency

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

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

C

The applicant proposes to add no more than 36 NF beds to PruittHealth-Towne Center in Cabarrus County pursuant to an adjusted need determination in the 2022 SMFP, for a total of no more than 106 NF beds upon project completion.

In Section M, page 90, the applicant describes the extent to which health professional training programs in the area have access to the facility for training purposes. The applicant adequately

demonstrates that health professional training programs in the area have access to the facility for training purposes because the facility currently exists, has training programs in place, and the applicant does not anticipate a change in those services following the addition of the proposed NF beds.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

The applicant proposes to add no more than 36 NF beds to PruittHealth-Towne Center in Cabarrus County pursuant to an adjusted need determination in the 2022 SMFP, for a total of no more than 106 NF beds upon project completion.

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

Based on data reported in Table 10A, page 151 of the 2022 SMFP, Cabarrus County currently has seven nursing facilities with a total of 691 licensed nursing facility beds, with 24 excluded from the planning inventory, as summarized below:

FACILITY	TOTAL AVAILABLE NF BEDS	SUM OF EXCLUSION	TOTAL PLANNING INVENTORY
Accordius Health at Concord	120	0	120
Brian Center Health & Retirement/Cabarrus	90	0	90
Five Oaks Manor	160	0	160
PruittHealth-Town Center	70	0	70
The Gardens of Taylor Glen Retirement Community	24	24	0
Transitional Health Services of Kannapolis	107	0	107
Universal Health Care and Rehabilitation Center	120	0	120
Total	691	24	667

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 92, the applicant states:

“The development of the 36-bed expansion to PruittHealth-Town Center will have no negative impact on existing nursing facilities in Cabarrus County. After construction, the 106-bed nursing facility will continue to make up only 14.6 percent (106 beds/727 total beds) of the total licensed nursing home beds in Cabarrus County.”

Regarding the impact of the proposal on cost effectiveness, quality and access by medically underserved groups, in Section N, page 92, the applicant states:

“The expanded 106-bed nursing home facility will have a positive impact on cost effectiveness, quality of care, and access for the following reasons:

- *All 36 new resident rooms at PruittHealth-Town Center will be private rooms for the benefit of its residents. Medicaid-eligible residents will also have access to private rooms.*
- *PruittHealth-Town Center will be a larger facility with small resident wings, which allow residents family members, and staff members to become close and establish a caring relationship.*
- *Charges for Medicaid, Medicare A, and Hospice residents will not increase above historical annual rate increase.*
- *Based on Year 3 patient projections, almost all PruittHealth-Town Center residents can be defined as being in a medically underserved group.”*

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

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

- 1) The proposal is cost effective because the applicant adequately demonstrated: a) the need the population to be served has for the proposal; b) that the proposal would not result in

- an unnecessary duplication of existing and approved health services; and c) that projected revenues and operating costs are reasonable.
- 2) Quality care would be provided based on the applicant's representations about how it will ensure the quality of the proposed services and the applicant's record of providing quality care in the past.
 - 3) Medically underserved groups will have access to the proposed services based on the applicant's representations about access by medically underserved groups and the projected payor mix.

Conclusion

The Agency reviewed the:

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

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

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

C

In Section Q, Form O the applicant identifies the nursing facilities located in North Carolina owned, operated or managed by the applicant or a related entity. The applicant identifies a total of 17 of this type of facility located in North Carolina.

In Section O, page 101, the applicant states that, during the 18 months immediately preceding the submittal of the application, there were no incidents related to quality of care in any of these facilities. According to the files in the Nursing Home Licensure and Certification Section, DHSR, during the 18 months immediately preceding submission of the application through the date of this decision, incidents related to quality of care have not occurred in any of these facilities. After reviewing and considering information provided by the applicant and by the Nursing Home Licensure and Certification Section and considering the quality of care provided at all seven facilities, the applicant provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

- (21) Repealed effective July 1, 1987.

G.S. 131E-183 (b): The Department is authorized to adopt rules for the review of particular types of applications that will be used in addition to those criteria outlined in subsection (a) of this section and may vary according to the purpose for which a particular review is being

conducted or the type of health service reviewed. No such rule adopted by the Department shall require an academic medical center teaching hospital, as defined by the State Medical Facilities Plan, to demonstrate that any facility or service at another hospital is being appropriately utilized in order for that academic medical center teaching hospital to be approved for the issuance of a certificate of need to develop any similar facility or service.

C

The applicant proposes to add no more than 36 NF beds to PruittHealth-Towne Center in Cabarrus County pursuant to an adjusted need determination in the 2022 SMFP, for a total of no more than 106 NF beds upon project completion.

The Criteria and Standards for Nursing Facility or Adult Care Home Services promulgated in 10A NCAC 14C .1100 are applicable to this review. The specific criteria are disc

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(a) *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.*

-C- In Section Q, Form C.1b, the applicant projects that the occupancy for the NF beds will be 91.5% by during the second operating year following completion of the project, and 94.9% by the third operating year. The assumptions and methodology used to project utilization are provided in Section Q following Form C.1b. The application is conforming to this Rule.

(b) *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 applicant is not proposing to add adult care home beds to an existing facility.

(c) *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.*

-NA- The applicant does not propose to establish a new adult care home facility or add adult care home beds to an existing facility.