

REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conforming as Conditioned

NC = Nonconforming

NA = Not Applicable

Decision Date: January 27, 2023

Findings Date: January 27, 2023

Project Analyst: Tanya M. Saporito

Co-Signer: Gloria C. Hale

Project ID #: J-12246-22

Facility: Chatham County Rehabilitation Center

FID #: 130367

County: Chatham

Applicants: Liberty Healthcare Properties of Chatham County, LLC

Liberty Commons Nursing and Rehabilitation Center of Chatham County, LLC

Project: Change of Scope and Cost Overrun for Project ID # J-11656-19 (Relocate no more than 6 ACH beds from Liberty Commons Nursing and Rehab Center of Halifax County and no more than 30 ACH beds from Cross Creek Healthcare of Hyde County for a total of no more than 105 NF beds and 36 ACH beds upon project completion)

REVIEW CRITERIA

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

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

C

Liberty Healthcare Properties of Chatham County, LLC and Liberty Commons Nursing and Rehabilitation Center of Chatham County, LLC (hereinafter collectively referred to as “the applicant) proposes a change of scope (COS) and cost overrun (COR) to Project ID #J-11656-19.

A certificate of need was issued on May 29, 2019, for Project ID #J-11656-19 (relocate 16 adult care home (ACH) beds from Liberty Commons (Halifax) and 20 ACH beds from Liberty Commons Nursing and Rehab Center (Columbus) to Chatham County Rehabilitation Center for a total of no more than 105 NF beds and 36 ACH beds upon project completion). That

application was a change of scope for two previous projects, Project ID #J-10168-13 (develop 90 NF beds) and Project ID #J-11378-17 (COS to relocate only 15 NF beds pursuant to Project ID #J-11461-18, which authorized the applicant to relocate 25 NF beds). There are also three material compliance determinations issued by the Agency, summarized as follows:

- Material compliance approval on March 1, 2021, to develop 105 NF beds (Project ID#s J-10168-13 and J-11378-17) in a free-standing facility.
- Material compliance approval on April 7, 2021, to develop the 105 NF beds and to relocate 12 of the 36 ACH beds to another proposed project in Chatham County.
- Material compliance approval on November 2, 2021, to retain the 12 ACH beds previously approved to relocate in the prior material compliance determination. This material compliance determination rendered the April 7, 2021, material compliance determination moot.

This application proposes another COS and a cost overrun (COR) in which the applicant proposes to relocate 6 ACH beds from Liberty Commons Nursing and Rehab Center of Halifax County and 30 ACH beds from Cross Creek Health Care of Hyde County to Chatham County Rehabilitation Center, for a total of no more than 105 NF beds and 36 ACH beds upon project completion.

Need Determination

The original project did not involve a need determination pursuant to any of the applicable State Medical Facilities Plans (SMFP) and the current COR/COS 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.

Policies

There are two policies in the 2022 SMFP that apply to this review. *Policy LTC-2: Relocation of Adult Care Home Beds* and *Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities*.

Policy LTC-2: Relocation of Adult Care Home Beds:

Project ID #J-11656-19 was found to be consistent with *Policy LTC-2: Relocation of Adult Care Home Beds* as published in the 2019 SMFP. There are no changes to Policy LTC-2 in the 2022 SMFP. Because the applicant proposes to relocate different numbers of ACH beds from the approved application, Policy LTC-2 also applies to the current application.

Policy LTC-2: Relocation of Adult Care Home Beds, on page 26 of the 2022 SMFP, states:

“Relocations of existing licensed adult care home beds to another service area are allowed. Certificate of need applicants proposing to relocate licensed adult care home beds to another service area shall:

1. *demonstrate that the proposal shall not result in a deficit, or increase an existing deficit in the number of licensed adult care home beds in the county that would be losing adult care home beds as a result of the proposed project, as reflected in the North Carolina State Medical Facilities Plan in effect at the time the certificate of need review begins; and*
2. *demonstrate that the proposal shall not result in a surplus or increase an existing surplus of licensed adult care home beds in the county that would gain adult care home beds as a result of the proposed project, as reflected in the North Carolina State Medical Facilities Plan in effect at the time the certificate of need review begins.”*

Project ID # J-11656-19 was conforming with Policy LTC-2. At that time, according to the 2019 SMFP, Chatham County had a deficit of 36 ACH beds. The applicant proposed to relocate 36 ACH beds into Chatham County (16 ACH beds from Halifax County and 20 ACH beds from Columbus County), which eliminated the deficit of beds in Chatham County but did not create a surplus. Because the applicant is not proposing to change the number of beds being relocated into Chatham County, there is no need to consider 2022 SMFP surpluses or deficits in Chatham County.

Similarly, Project ID #J-11656-19 proposed to relocate 16 ACH beds from Halifax County. According to the 2019 SMFP, Halifax County had a surplus of 238 ACH beds; consequently, that application did not result in an increase in the surplus of ACH beds in Halifax County. In addition, Project ID #J-11656-19 proposed to relocate 20 ACH beds from Columbus County. According to the 2019 SMFP, Columbus County had a surplus of 73 ACH beds; consequently, that application did not result in an increase in the surplus of ACH beds in Columbus County.

This application proposes to change the number of beds proposed to be relocated from Halifax County and proposes to relocate ACH beds from Hyde County rather than Columbus County. According to the 2022 SMFP, Halifax County has a current surplus of 206 ACH beds; therefore, this application will not result in an increase in the surplus of ACH beds in Halifax County. According to the 2022 SMFP, Hyde County currently has a surplus of 30 ACH beds; therefore, this application proposes to reduce that surplus by 30 ACH beds, effectively eliminating the surplus. Therefore, the changes proposed in the COR/COS application are consistent with Policy LTC-2 in the 2022 SMFP.

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

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. 131E184 is required to submit a plan for energy efficiency and water conservation that conforms to the rules, codes and standards implemented by the Construction Section of the Division of Health Service Regulation. The plan must be consistent with the applicant's representation in the written statement as described in paragraph one of Policy GEN-4. The plan shall not adversely affect patient or resident health, safety or infection control."

The proposed capital expenditure for this project is greater than \$5 million. In Section B, page 29, the applicant states:

"The proposed cost overrun capital expenditure for this project exceeds \$2 million; In Section B.10, page 21, of the previously approved Project J-11656-19, the Applicants displayed that the proposed building would be constructed using the latest technologies to assure maximum energy efficiency, in compliance with the requirements of Policy GEN-4 in the SMFP. The Applicants further included a written statement describing specifics related to energy and water usage efficiencies. There is no change to the details regarding the construction for this COS and cost overrun.

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 what was approved in Project ID #J-11656-19 that would make any need determinations in the 2022 SMFP applicable to this review.

- The applicant adequately demonstrates that the proposal is consistent with Policy LTC-2 for all the reasons cited above.
 - The applicant adequately demonstrates that the proposal is consistent with Policy GEN-4 because the previously approved application included a written statement describing the applicant's commitment to assuring energy efficiency and water conservation, and the applicant proposes no changes to this COS/COR that would affect that determination.
- (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 COR/COS for Project ID# J-11656-19 by relocating the same total number of ACH beds approved in that application, but by relocating ACH beds from Hyde County and Halifax County rather than from Halifax and Columbus counties as was approved in Project ID# J-11656-19.

Project ID #J-11656-19 was approved on April 26, 2019, and a certificate of need was issued effective May 29, 2019.

The current application proposes no change to the approved facility design or other aspects of the approved project other than the origin of the ACH beds approved to be relocated. In this application, instead of relocating 16 ACH beds from Liberty Commons Nursing and Rehab Center of Halifax County and 20 ACH beds from Liberty Commons Nursing and Rehab Center of Columbus County to Chatham County Rehabilitation Center in Chatham County, the applicant instead proposes to relocate 6 ACH beds from Liberty Commons Nursing and Rehab Center of Halifax County and 30 ACH beds from Cross Creek Health Care in Hyde County. The applicant does not propose to relocate any ACH beds from Liberty Commons Nursing and Rehab Center of Columbus County as part of this proposed project.

In Section B, pages 27-28, the applicant states the reason for the requested change in origin of ACH beds from Columbus County to Hyde County is because Cross Creek Health Care ceased operations in July 2021. At that time, the applicant elected not to delicense the beds and the applicant now proposes to relocate those beds.

The tables below summarize the originally approved proposal in Project ID #J-11656-19 and the changes proposed in the current application:

PROJECT ID# J-11656-19 – AS APPROVED (CON ISSUED 5/29/19)	
ORIGINAL LOCATION OF ACH BEDS TO BE RELOCATED	# OF ACH BEDS
Liberty Commons Nursing and Rehab Center of Halifax	16
Liberty Commons Nursing and Rehab Center of Columbus	30
Total to Chatham County Rehabilitation Center – Chatham County	36

CURRENT APPLICATION - PROJECT ID# J-12246-22	
ORIGINAL LOCATION OF ACH BEDS TO BE RELOCATED	# OF ACH BEDS
Liberty Commons Nursing and Rehab Center of Halifax	6
Cross Creek Health Center	30
Total to Chatham County Rehabilitation Center – Chatham County	36

The end result is a decrease of 10 ACH beds proposed to be relocated from Liberty Commons Nursing & Rehab Center of Halifax County, elimination of bed relocation from Liberty Commons Nursing and Rehab Center of Columbus County, and an increase of 30 ACH beds proposed to be relocated from Cross Creek Health Center in Hyde County. The total number of ACH beds to be relocated to develop Chatham County Rehabilitation Center remains 36.

Patient Origin

On page 177, the 2022 SMFP defines the service area for ACH beds as “...*the county in which the bed is located.*” Thus, the service area for this facility is Chatham County. Facilities may also serve residents of counties not included in their service area.

In Section C, page 45, the applicant states the current application does not project any changes to patient origin from what was originally projected in Project ID # J-11656-19. That project was conforming with this criterion and the applicant proposes no changes in the current application as submitted that would affect that determination. The information is reasonable and adequately supported because the applicant proposes no changes to the places of origin for the ACH beds to be relocated.

Analysis of Need

In Section C, page 44, the applicant states the change to the location and number of NF beds to be relocated is due to the closure of Cross Creek Health Center (Hyde County) on July 15, 2021. The applicant states it chose not to delicense the ACH beds at Cross Creek Health Center so that they could ultimately be relocated to a different location where they could better serve patients.

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

- The applicant is in the best position to know which of its existing ACH beds should be relocated based on costs and utilization.

- Project ID# J-11656-19 was conforming to this criterion with regard to the demonstration of need to relocate ACH beds to Chatham County, and the applicant proposes no changes in the application as submitted which would affect that determination.

Projected Utilization

In Section C, page 45, the applicant states the current application does not project any changes in projected utilization from what was originally projected in Project ID #J-11656-19. The information is reasonable and adequately supported because the applicant proposes no changes in the number of or the type of beds to be relocated into Chatham County. Project ID# J-11656-19 was conforming to this criterion and the applicant proposes no changes in the current application as submitted that would affect that determination.

Access to Medically Underserved Groups

In Section C, page 46, the applicant states the current application does not project any changes in access by medically underserved groups from what was originally projected in Project ID# J-11656-19. That project was conforming to this criterion and the applicant proposes no changes in the current application as submitted that 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:

- Project ID# J-11656-19 adequately identified the population to be served and there are no changes proposed in this application as submitted that would affect that determination.
- The applicant adequately explains why it is necessary to relocate ACH beds from Cross Creek Health Care in Hyde County, no beds from Liberty Commons Nursing and Rehab Center of Columbus County, and fewer beds from Liberty Commons Nursing and Rehab Center of Halifax County.
- Projected utilization was deemed reasonable and adequately supported in the application for Project ID# J-11656-19 and there are no changes proposed in this application that would affect that determination.

- Project ID# J-11656-19 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 as submitted that 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.

C

The applicant proposes a COR/COS for Project ID# J-11656-19 by relocating the same total number of ACH beds approved in that application, but by relocating ACH beds from Hyde County and Halifax County rather than from Halifax and Columbus counties as was approved in Project ID# J-11656-19.

The applicant is proposing in this application to relocate ACH beds from Cross Creek Health Care rather than Liberty Commons Nursing and Rehab Center of Columbus County. In Section D, page 50, the applicant states Cross Creek Health Care closed on July 15, 2021; thus, there is no population presently served by the beds proposed to be relocated.

Project ID# J-11656-19 was conforming with this criterion and the applicant proposes no changes in the application as submitted that 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 all the reasons described above.

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

CA

The applicant proposes a COR/COS for Project ID# J-11656-19 by relocating the same total number of ACH beds approved in that application, but by relocating ACH beds from Hyde County and Halifax County rather than from Halifax and Columbus counties as was approved in Project ID# J-11656-19.

In Section E, page 52, the applicant states the only alternative considered was to maintain the status quo and develop Project ID# J-11656-19 as approved. The applicant states that it incurred financial losses from trying to operate Cross Creek Health Care with a declining patient population and ultimately had to close it, with the hope of relocating the ACH beds. Maintaining the status quo would not allow for the relocation of additional beds from Cross Creek Health Care.

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

- The 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
- 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 reasons stated above. Therefore, the application is approved subject to the following conditions:

- 1. Liberty Healthcare Properties of Chatham County, LLC, and Liberty Commons Nursing and Rehabilitation Center of Chatham County, LLC (hereinafter certificate holder) shall materially comply with the representations in this application and the representations in Project ID# J-11656-19. Where representations conflict, the certificate holder shall materially comply with the last made representation.**
- 2. The certificate holder shall relocate a total of no more than 30 adult care home beds from Cross Creek Health Center in Hyde County and no more than six adult care home beds from Liberty Commons Nursing and Rehabilitation Center of Halifax in Halifax County to Chatham County Rehabilitation Center in Chatham County upon completion of this project, Project I.D. # J-10168-13, Project I.D. # J-11378-17 and Project ID #J-11656-19.**
- 3. Upon completion of this project and Project ID# J-11656-19, Chatham County Rehabilitation Center shall be licensed for no more than 105 nursing facility beds and 36 adult care home beds.**

- 4. 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.**
- 5. 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.**
- 6. The certificate holder shall certify at least 33% of the total number of licensed adult care home beds in the facility for recipients of State/County Special Assistance with Medicaid and provide care to those recipients commensurate with representations made in this application and Project ID #J-11656-19.**
- 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. The first progress report shall be due on July 1, 2023.**
- 8. 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.**
- 9. The certificate holder shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Agency in writing prior to issuance of the certificate of need.**

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

C

The applicant proposes a COR/COS for Project ID# J-11656-19 by relocating the same total number of ACH beds approved in that application, but by relocating ACH beds from Hyde County and Halifax County rather than from Halifax and Columbus counties as was approved in Project ID# J-11656-19.

Capital and Working Capital Costs

A certificate of need was issued on May 29, 2019, for Project ID# J-11656-19 and authorized an additional capital cost of \$4,971,074. The current application proposes a capital cost increase of \$14,705,287 over the previously approved combined capital costs for a total new combined capital cost of \$35,383,500. The COR/COS application is necessary due to increased construction costs and increased costs of goods and services since the original project was approved.

The following table compares the previously combined approved capital costs and the proposed capital cost for this project, as reported by the applicant in Section Q, Form F.1(b):

PREVIOUSLY APPROVED AND PROPOSED CAPITAL COST			
CATEGORY	PROJECT ID # J-11656-19*	NEW COST	PROJECT ID # J-11246-22
Purchase Price of Land	\$3,000,000	\$3,000,000	\$0
Closing Costs	\$20,000	\$30,000	\$10,000
Site Preparation	\$1,527,513	\$2,000,000	\$472,487
Construction/Renovation Costs	\$14,269,200	\$28,018,500	\$13,749,300
Architect/Engineering Cost	\$300,000	\$700,000	\$400,000
Furniture	\$1,410,000	\$1,410,000	\$0
Consultant Fees	\$151,500	\$225,500	\$73,500
Total	\$20,678,213	\$35,383,500	\$14,705,287

*Includes previously approved Project ID #s J-10168-13 and J-11378-17.

In Section F, page 58, the applicant states the current application does not project any changes to working capital costs from what was originally projected in Project ID# J-11656-19. The information is reasonable and adequately supported because the applicant proposes no change to the number of or the type of beds being relocated to Chatham County Rehabilitation Center. Project ID# J-11656-19 was conforming to this criterion and the applicant proposes no changes in the current application as submitted that would affect that determination.

Availability of Funds

In Section F, page 59, the applicant states that the capital cost will be funded, as shown in the table below.

Sources of Capital Cost Financing

TYPE	LIBERTY HEALTHCARE PROPERTIES OF CHATHAM COUNTY, LLC	LIBERTY COMMONS NURSING AND REHABILITATION CENTER OF CHATHAM COUNTY, LLC	TOTAL
Loans	\$0	\$0	\$0
Accumulated reserves or OE*	\$0	\$14,705,287	\$14,705,287
Bonds	\$0	\$0	\$0
Other (Specify)	\$0	\$0	\$0
Total Financing	\$0	\$14,705,287	\$14,705,287

*OE = Owner's Equity

In Section F, page 60, the applicant states there is no change to the working capital for the project.

In Section F, page 60, the applicant states that the capital costs will be financed by John A. McNeill, Jr. and Ronald B. McNeill, owners of the applicants. In Exhibit F.5.2, the applicant provides a letter dated August 9, 2022, jointly signed by John A. McNeill, Jr. and Ronald B. McNeill expressing their intention to fund the additional capital costs for the proposed project. In addition, in Exhibit F.5.2, the applicant provides a letter dated August 3, 2022, from the Chief Financial Officer of Liberty Healthcare Management, Inc. that states Liberty Healthcare Management, Inc. has *“in excess of four-hundred fifty million dollars (\$450,000,000) in total cash and assets in order to fund any capital expenditures associated with the project.”*

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

- The applicant provides documentation that confirms the commitment of the owners of Chatham County Rehabilitation Center to jointly fund the capital needs of the project.
- The applicant provides documentation that Liberty Healthcare Management, Inc. has sufficient funds available to cover the capital needs of the project.

Financial Feasibility

In Section F, page 61, the applicant states the current application proposes an increase of \$900,000 in operating costs from what was originally projected in Project ID# J-11656-19, representing an increase in facility rent from the originally approved amount of \$300,000 to the cost projected in this COR/COS application of \$1,200,000 [$\$1,200,000 - \$300,000 = \$900,000$].

The applicant provided pro forma financial statements for the first three full fiscal years (FY) of operation (October 1, 2024-September 30, 2027) following completion of the project. In Form F.2b, the applicant projects that revenues will exceed operating expenses in the second and third full fiscal years following project completion, as shown in the following table:

	1ST FULL FY (10/1/24-9/30/25)	2ND FULL FY (10/1/25-9/30/26)	3RD FULL FY (10/1/26-9/30/27)
Total Patient Days of Care (DOC)*	36,601	47,815	47,815
Total Gross Revenues (Charges)	\$8,394,085	\$11,223,688	\$11,325,516
Total Net Revenue	\$7,600,611	\$10,183,699	\$10,285,324
Average Net Revenue per DOC	\$208	\$213	\$215
Total Operating Expenses (Costs)	\$8,365,646	\$8,971,054	\$9,143,833
Average Operating Expense per DOC	\$229	\$188	\$191
Net Income	(\$765,035)	\$1,212,645	\$1,141,491

*The days of care were obtained from Form C.1a in Project ID #J-11656-19, as this application proposes a change of scope and cost overrun of that application and the applicant states utilization projections have not changed as a result of this application.

The assumptions used by the applicant in preparation of the pro forma financial statements are provided in Section Q. The applicant adequately demonstrates that the financial feasibility of the proposal is reasonable and adequately supported for the following reasons:

- Exhibit F.5.2 provides documentation of sufficient funding through commitment letters from the owners of Chatham County Rehabilitation Center.
- Exhibit F.5.3 provides a commitment letter from the Chief Financial Officer committing the necessary funds to the project development.
- Exhibit F.5.1 provides documentation of sufficient cash reserves and total assets to fund the project capital costs.
- The applicant accounts for the increase in projected operating expenses, such as salaries, consistent with projections elsewhere in the application.

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 that the financial feasibility of the proposal is based upon reasonable projections of revenues and operating expenses.

- (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 a COR/COS for Project ID# J-11656-19 by relocating the same total number of ACH beds approved in that application, but by relocating ACH beds from Hyde County and Halifax County rather than from Halifax and Columbus counties as was approved in Project ID# J-11656-19.

On page 177, the 2022 SMFP defines the service area for ACH beds as “...*the county in which the bed is located.*” Thus, the service area for this facility is Chatham County. Facilities may also serve residents of counties not included in their service area.

The applicant proposes no change to the total number of ACH beds being relocated into Chatham County as approved in Project ID# J-11656-19. That project was conforming to this criterion and the applicant proposes no changes in the current application that 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 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 COR/COS for Project ID# J-11656-19 by relocating the same total number of ACH beds approved in that application, but by relocating ACH beds from Hyde County and Halifax County rather than from Halifax and Columbus counties as was approved in Project ID# J-11656-19.

In Section H, page 64, the applicant states there are no changes to the projected staffing during the first three full fiscal years of operation as approved in Project ID# J-11656-19. The information is reasonable and adequately supported because the applicant proposes no change to the number of or the type of beds being relocated to Chatham County Rehabilitation Center. Project ID# J-11656-19 was conforming with this criterion and the applicant proposes no changes in the current application that 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 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 COR/COS for Project ID# J-11656-19 by relocating the same total number of ACH beds approved in that application, but by relocating ACH beds from Hyde County and Halifax County rather than from Halifax and Columbus counties as was approved in Project ID# J-11656-19.

In Section I, page 67, the applicant states there are no changes to the provision of necessary ancillary and support services or changes to coordination with the existing health care system than approved in Project ID# J-11656-19. The information is reasonable and adequately supported because the applicant proposes no change to the total number of or the type of beds being relocated to Chatham County Rehabilitation Center. Project ID# J-11656-19 was conforming to this criterion and the applicant proposes no changes in the current application as submitted that 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 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.

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 COR/COS for Project ID# J-11656-19 by relocating the same total number of ACH beds approved in that application, but by relocating ACH beds from Hyde County and Halifax County rather than from Halifax and Columbus counties as was approved in Project ID# J-11656-19.

In Section K, page 70, the applicant states this project proposes construction of 93,395 square feet of new construction. The applicant states on page 71 that the design and means of construction proposed in this application do not differ from the previously approved construction proposal. The applicant states COVID-19 caused major delays in supply chains, and that the costs of construction since Project ID #J-11656-19 was approved have increased

exponentially, resulting in a cost overrun. The applicant provides a certified construction cost estimate in Exhibit C.8.2 and provides line drawings in Exhibit K.5.1.

In Section K, page 71, the applicant explains why the proposal will not unduly increase the costs and charges of the services to the public. The applicant states:

“The current market conditions have driven up the costs for site preparation, construction, and architect/engineering fees in comparison to the estimated costs when the original applications were submitted. Approval of the cost overrun is the only way the applicants can build this building in Chatham County. Based on the updated cost estimate provided by the architect and the new projected costs and charges, the applicants do not anticipate that this cost overrun will unduly increase costs and charges to the public.”

In Section K, page 72, the applicant identifies the energy saving features that will be included in the construction of the proposed ACH facility. The applicant states:

“As displayed in Section B.10, page 21, of the previously approved Project J-11656-19, the Applicants displayed that the proposed building would be constructed using the latest technologies to assure maximum energy efficiency, in compliance with the requirements of Policy GEN-4 in the SMFP. The Applicants further included a written statement describing specifics related to energy and water usage efficiencies. There is no change to the details regarding the construction for this COS and cost overrun.”

The information is reasonable and adequately supported because the applicant proposes no change to the number or type of beds being relocated to Chatham County Rehabilitation Center. Project ID# J-11656-19 was conforming to this criterion and the applicant proposes no changes in the current application that 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 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

Project ID# J-11656-19 was conforming to this criterion and the applicant proposes no changes in the current application as submitted that would affect that determination. 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

Project ID# J-11656-19 was conforming to this criterion and the applicant proposes no changes in the current application as submitted that would affect that determination. Therefore, 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 77, the applicant states there are no changes to projected access by medically underserved groups to what was approved in Project ID# J-11656-19. The information is reasonable and adequately supported because the applicant proposes no change to the number or type of beds being relocated to Chatham County Rehabilitation Center. Project ID# J-11656-19 was conforming to this criterion and the applicant proposes no changes in the current application as submitted that would affect that determination. Therefore, the application is conforming to this criterion.

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

C

Project ID# J-11656-19 was conforming to this criterion and the applicant proposes no changes in the current application as submitted that would affect that determination. Therefore, 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 a COR/COS for Project ID# J-11656-19 by relocating the same total number of ACH beds approved in that application, but by relocating ACH beds from Hyde County and Halifax County rather than from Halifax and Columbus counties as was approved in Project ID# J-11656-19.

In Section M, page 78, the applicant states there are no changes to accommodating the clinical needs of area health professional training programs as part of this COR/COS application. Project ID# J-11656-19 was conforming to this criterion and the applicant proposes no changes in the current application as submitted that would affect that determination. Therefore, the application is conforming to this criterion.

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.

- (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 COR/COS for Project ID# J-11656-19 by relocating the same total number of ACH beds approved in that application, but by relocating ACH beds from Hyde

County and Halifax County rather than from Halifax and Columbus counties as was approved in Project ID# J-11656-19.

On page 177, the 2022 SMFP defines the service area for ACH beds as “...*the county in which the bed is located.*” Thus, the service area for this facility is Chatham County. Facilities may also serve residents of counties not included in their service area.

In Section N, pages 79-80, the applicant states there are no changes to the expected effects of the proposal on competition in the proposed service area and there are no changes to the impact of enhanced competition on the cost-effectiveness, quality, and access by medically underserved groups to what was approved in Project ID# J-11656-19. The information is reasonable and adequately supported because the applicant proposes no change to the number or type of beds being relocated to Chatham County Rehabilitation Center. Project ID# J-11656-19 was conforming to this criterion and the applicant proposes no changes in the current application as submitted that would affect that determination. Therefore, the application is conforming to this criterion.

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

The applicant proposes a COR/COS for Project ID# J-11656-19 by relocating the same total number of ACH beds approved in that application, but by relocating ACH beds from Hyde County and Halifax County rather than from Halifax and Columbus counties as was approved in Project ID# J-11656-19.

On Form O in Section Q, the applicant identifies the nursing home facilities located in North Carolina owned, operated, or managed by the applicant or a related entity. The applicant identifies a total of 37 of this type of facility located in North Carolina.

In Section O, pages 83-84, the applicant states that, during the 18 months immediately preceding the submittal of the application, incidents resulting in citations of immediate

jeopardy occurred in eight of these facilities. In Section O, page 82, the applicant states the deficiencies have been corrected and “*substantial compliance has been achieved.*” After reviewing and considering information provided by the applicant and considering the quality of care provided at all 37 facilities, the applicant provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

(21) Repealed effective July 1, 1987.

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

NA

The applicant proposes a COR/COS for Project ID# J-11656-19 by relocating the same total number of ACH beds approved in that application, but by relocating ACH beds from Hyde County and Halifax County rather than from Halifax and Columbus counties as was approved in Project ID# J-11656-19.

The Criteria and Standards for Nursing Facility or Adult Care Home Services, promulgated in 10A NCAC 14C .1100, were not applicable to Project ID# J-11656-19 because the rules do not apply to a proposal to relocate existing licensed adult care home beds. The applicant proposes no changes in the current application as submitted that would affect that determination. Therefore, the administrative rules are not applicable to this review.