

## REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA = Conforming as Conditioned

NC = Nonconforming

NA = Not Applicable

Decision Date: June 22, 2023

Findings Date: June 22, 2023

Project Analyst: Julie M. Faenza

Co-Signer: Micheala Mitchell

Project ID #: P-12326-23

Facility: The Gardens of Rose Hill

FID #: 945023

County: Duplin

Applicants: Rosehill Opco, LLC

Rosehill Propco, LLC

Project: Relocate no more 15 ACH beds from Autumn Village to The Gardens of Rose Hill for a total of no more than 60 ACH beds upon project completion

### REVIEW CRITERIA

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

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

NA

Rosehill Opco, LLC and Rosehill Propco, LLC (hereinafter collectively referred to as “ALG Senior” or “the applicant”) propose to relocate 15 existing adult care home (ACH) beds from Autumn Village, currently licensed for 88 ACH beds, to The Gardens of Rose Hill, currently licensed for 45 ACH beds. Both Autumn Village and The Gardens of Rose Hill are located in Duplin County. Autumn Village will have 73 ACH beds and The Gardens of Rose Hill will have 60 ACH beds upon project completion.

The applicant does not propose to:

- develop any beds or services for which there is a need determination in the 2023 State Medical Facilities Plan (SMFP),

- acquire any medical equipment for which there is a need determination in the 2023 SMFP, or
- offer a new institutional health service for which there are any policies in the 2023 SMFP.

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

- (2) Repealed effective July 1, 1987.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

## C

The applicant proposes to relocate 15 ACH beds from Autumn Village (in Duplin County) to The Gardens of Rose Hill (also in Duplin County). Autumn Village will have 73 ACH beds and The Gardens of Rose Hill will have 60 ACH beds upon project completion.

Like many other companies in the senior living industry, the two companies that comprise the applicant in this review were created for business and operational reasons. One company was created to hold the ownership interest in the property itself (Rosehill Propco, LLC) and one company was created to handle the operational side of business (Rosehill Opco, LLC). This is a common arrangement in the senior living industry. Ultimately, the two companies fall under the umbrella of ALG Senior, LLC (ALG Senior) – formerly known as Affinity Living Group – and are owned by Charles Trefzger, Jr. References to “ALG Senior” are used interchangeably with “the applicant” and refer to functionally the same entity.

### **Patient Origin**

On page 171, the 2023 SMFP defines the service area for ACH beds as “... *the county in which the adult care home bed is located. Each of the 100 counties is a separate service area.*” Thus, the service area for this facility is Duplin County. Facilities may also serve residents of counties not included in their service area.

The following tables illustrate historical and projected patient origin.

<b>Historical Patient Origin – The Gardens of Rose Hill &amp; Autumn Village (8/2021 – 7/2022)</b>				
<b>Counties</b>	<b>The Gardens of Rose Hill</b>		<b>Autumn Village</b>	
	<b># of Patients</b>	<b>% of Patients</b>	<b># of Patients</b>	<b>% of Patients</b>
Beaufort	--	--	1	1.0%
Brunswick	--	--	2	2.0%
Buncombe	--	--	1	1.0%
Burke	1	1.8%	--	--
Carteret	--	--	1	1.0%
Craven	--	--	1	1.0%
Duplin	36	64.3%	58	57.4%
Forsyth	1	1.8%	--	--
Johnston	--	--	1	1.0%
Lenoir	--	--	6	5.9%
New Hanover	3	5.4%	1	1.0%
Onslow	1	1.8%	15	14.9%
Pender	2	3.6%	--	--
Sampson	7	12.5%	1	1.0%
Wake	--	--	1	1.0%
Wayne	2	3.6%	5	5.0%
Other States	--	--	2	2.0%
Other/Unknown	3	5.4%	5	5.0%
<b>Total</b>	<b>56</b>	<b>100.0%</b>	<b>101</b>	<b>100.0%</b>

Source: Section C, pages 29-30

<b>The Gardens of Rose Hill Projected Patient Origin – FYs 1-3</b>						
<b>County</b>	<b>FY 1 (12/2028 - 11/2029)</b>		<b>FY 2 (12/2029 – 11/2030)</b>		<b>FY 3 (12/2030 – 11/2031)</b>	
	<b># of Patients</b>	<b>% of Patients</b>	<b># of Patients</b>	<b>% of Patients</b>	<b># of Patients</b>	<b>% of Patients</b>
Duplin	15	72%	37	72%	40	74%
Sampson	2	9%	5	10%	5	9%
Pender	1	5%	2	4%	2	4%
Onslow	1	5%	1	2%	1	2%
Wayne	0	0%	1	2%	1	2%
Other	2	9%	5	10%	5	9%
<b>Total</b>	<b>21</b>	<b>100%</b>	<b>51</b>	<b>100%</b>	<b>54</b>	<b>100%</b>

Source: Section C, page 31

In Section C, pages 32-36, the applicant provides the assumptions and methodology used to project patient origin. The applicant performed an analysis of historical patient origin of Duplin County ACH residents and the historical patient origin of The Gardens of Rose Hill based on 2020-2023 License Renewal Application (LRA) data and made assumptions about the shifts in historical patient origin from Duplin and other counties.

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

- The applicant performed a detailed analysis of historical patient origin using publicly available and reliable sources.
- The applicant explains in detail its assumptions for choosing the counties and population from each county that would comprise the projected patient origin.

- The applicant analyzed changes in historical patient origin based on 2020-2023 LRA data to project the patient origin.

### **Analysis of Need**

In Section C, pages 37-50, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, summarized as follows:

- **Understated Need for ACH Beds:** the applicant states that it believes the existing process for determining need for ACH beds is not a good predictor of actual need, since it is based on historical utilization, and will be artificially depressed due to the effects of COVID-19. The applicant states that, based on demographic projections from the North Carolina Office of State Budget and Management (NC OSBM), the population of North Carolinians that will grow the most between 2023 and 2048 is those aged 85 and older, projected to increase by 149% between 2023 and 2048. The population of North Carolinians aged 75 and older, the population most in need of ACH beds, is projected to increase by 65% between 2023 and 2048. (pages 37-39)
- **Increasing Population of People Aged 65 and Older in Duplin County:** the applicant states that NC OSBM projects Duplin County's population of residents aged 85 and older will increase by 29% between 2023 and 2048; the population of residents aged 75-84 will increase 3% between 2023 and 2048; and the population of residents aged 65-74 will increase by 2% between 2023 and 2048. The applicant states that between 2019-2022, 90% of ACH beds in Duplin County were utilized by people aged 55 and older and 68% of ACH beds in Duplin County were utilized by people aged 65 and older. (pages 39-41)
- **Increasing Total Dependency Ratio:** the applicant states that the total dependency ratio, a calculation that compares the working adult population with the dependency groups in the population (young and old), will increase from 71 dependents per 100 working adults in 2023 to 85 dependents per 100 working adults in 2048 based on population projections from NC OSBM. The applicant states that Duplin County is one of the 40 most economically distressed counties, and the combination of total dependency ratio and economic distress will be detrimental to Duplin County families caring for older loved ones and will create more need for community-based solutions, such as well-staffed and attractive ACH facilities. (pages 41-45)
- **Need for Appealing ACH Beds:** the applicant states that neither Autumn Village nor The Gardens of Rose Hill were designed for current needs. The applicant states that especially after the COVID-19 pandemic, reasons of safety require more single occupancy rooms and this project will allow for more of those at both Autumn Village and The Gardens of Rose Hill. The applicant states all of the facilities in Duplin County were built at least 25 years ago, when semi-private rooms were commonplace, so it is most likely that most ACH beds in Duplin County are in semi-private rooms. (page 45)
- **Need for Sustainable Facilities:** the applicant states Autumn Hill is a larger facility with 88 ACH beds and, in the applicant's experience, facilities of 60-70 ACH beds are the optimal size. The applicant states Autumn Hill is underutilized while The Gardens of Rose Hill,

with 45 beds, was at 96% occupancy in January 2023. The applicant states the relocation of existing beds will allow for the rightsizing of both facilities. (page 46)

- Need for ACH Choices: the applicant states that of the six ACH facilities in Duplin County, one is closed, leaving 30 ACH beds unavailable. The applicant states it aims to keep its rates competitive yet affordable and will likely have more private rooms than any other facility in Duplin County. (pages 46-47)
- Need for Affordable ACH Beds: the applicant states that approximately 73% of ACH patient days have been utilized by Medicaid and Special Assistance recipients between 2019-2022. The applicant states that 43.1% of Duplin County residents were enrolled in Medicaid in 2022. The applicant states it plans to offer 40% of its ACH beds to Medicaid patients, consistent with the community level population. (page 47)
- Need for ACH Beds in Western Duplin County: the applicant states that the population centers of Duplin County are in the western part of the county. The applicant states The Gardens of Rose Hill is located in the western part of Duplin County and is easily accessible from a number of locations; in contrast, Autumn Village is located in eastern Duplin County, near a small population center, and has been underutilized. (pages 48-50)

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

- The applicant provides documentation showing the projected population increase of Duplin County residents most likely to need ACH facilities.
- The applicant uses data and information from reliable sources and provides the data and sources it relies upon.
- The applicant provides additional information about the Duplin County-specific factors that support the need for the proposed project.

Projected Utilization

On Forms C.1a and C.1b in Section Q, the applicant provides historical and projected utilization, as illustrated in the table below.

<b>Historical &amp; Projected Utilization – The Gardens of Rose Hill</b>				
	<b>CY 2022</b>	<b>FY 1 (12/28-11/29)</b>	<b>FY 2 (12/29-11/30)</b>	<b>FY 3 (12/30-11/31)</b>
# of Beds	45	60	60	60
# of Admissions	27	37	17	--
# of Patient Days	14,367	7,524	18,388	19,710
Occupancy Rate	87.5%	34.4%	84.0%	90.0%

In the Assumptions and Methodology subsections of Section Q, for both Forms C.1a and C.1b, the applicant provides the assumptions and methodology used to project utilization, which are summarized below.

- The applicant states its average historical admissions have been offset by its average historical discharges and assumes that pattern will continue through the start of development of the proposed project.
- The applicant plans to close the facility beginning December 1, 2027 for renovation and construction, and plans to have discharged all residents by that time.
- The applicant projects the facility will reopen on December 1, 2028 for new admissions.
- The applicant uses historical data from 2013 through 2020 because the applicant states the effects of the COVID-19 pandemic resulted in irregular utilization patterns.
- Based on the applicant's historical experience, the applicant projects it will add five new residents in the first month after the facility reopens; it will add a net average of three residents per month between December 2028 and May 2030; and after that time, it will add a net average of zero patients as the population stabilizes. The applicant states it made those projections based on the following historical experience:
  - Based on the fill rate of 14 ACH facilities opened by ALG Senior in North Carolina between 2013 and 2020, the applicant states the average monthly fill rate for all 14 ACH facilities, from the time the facility opened until the time the census stabilized, was 4.4 residents per month. The facility with the slowest average had an average monthly fill rate of 2.2 residents per month.
  - The applicant states that most new facilities have higher fill rates during the first several months after opening, due to excitement about an affordable new community and due to intensive marketing in the area.
- The applicant states its historical experience is that there are five to ten residents ready to move in at facility opening, but to be conservative, assumes no residents will be ready to move in once the facility opens.
- The applicant assumes 40% of its residents will be Medicaid and State Assistance recipients.

The table below summarizes the applicant's projected utilization.

The Gardens of Rose Hill – Summary of Projected Utilization					
Month	Census by Type of Bed		Total Census	Occupancy %	Census Increase
	Private Pay	Medicaid			
Dec 2028	2.8	1.8	4.6	7.7%	4.6
Jan 2029	4.5	3.0	7.5	12.5%	2.9
Feb 2029	6.3	4.2	10.4	17.3%	2.9
Mar 2029	8.0	5.3	13.3	22.2%	2.9
Apr 2029	9.7	6.5	16.2	27.0%	2.9
May 2029	11.5	7.7	19.1	31.8%	2.9
Jun 2029	13.2	8.8	22.0	36.7%	2.9
Jul 2029	15.0	10.0	25.0	41.7%	3.0
Aug 2029	16.7	11.1	27.9	46.5%	2.9
Sep 2029	18.5	12.3	30.8	51.3%	2.9
Oct 2029	20.2	13.5	33.7	56.2%	2.9
Nov 2029	21.9	14.6	36.6	61.0%	2.9
Dec 2029	23.7	15.8	39.5	65.8%	2.9
Jan 2030	25.4	17.0	42.4	70.7%	2.9
Feb 2030	27.2	18.1	45.3	75.5%	2.9
Mar 2030	28.9	19.3	48.2	80.3%	2.9
Apr 2030	30.7	20.4	51.1	85.2%	2.9
May 2030	32.4	21.6	54.0	90.0%	2.9

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

- The applicant provides the data about the net number of new residents per month for each of the 14 facilities it uses to obtain the average fill rate in Section Q.
- The data provided by the applicant about the net number of new residents per month for each of the 14 facilities opened by ALG Senior between 2013 and 2020 supports the applicant’s statements that:
  - The average fill rate across the 14 facilities is consistent with the applicant’s representations.
  - Fill rates are higher during the first several months following a facility’s opening and then slow down.
- The data provided by the applicant about the net number of new residents per month for each of the 14 facilities opened by ALG Senior between 2013 and 2020 shows that the applicant’s projected fill rate for The Gardens of Rose Hill is lower than most of the listed facilities in their first 15 months of operation.

**Access to Medically Underserved Groups**

In Section C, page 54, the applicant states:

*“All persons will be admitted to The Gardens of Rose Hill upon the written order of a physician without regard to their race, color, creed, age, national origin, [disability],*

*sex, or source of payment. The Applicants expect The Gardens of Rose Hill to serve members of most underserved groups at rates similar to or greater than those at which members of these groups appear in Duplin County, to the extent that members of each group qualify for ACH bed placement.”*

On page 55, the applicant provides the estimated percentage for each medically underserved group, as shown in the following table.

<b>Medically Underserved Groups</b>	<b>% of Total Patients</b>
Low income persons	40%
Racial and ethnic minorities	30%
Women	70%
Persons with disabilities	100%
Persons 65 and older	80%
Medicare beneficiaries	NA
Medicaid recipients	40%

On pages 54-55, the applicant explains how it calculated each of the projections above and states it does not project to serve any Medicare beneficiaries because ACH facilities are not reimbursed by Medicare.

The applicant adequately describes the extent to which all residents of the service area, including underserved groups, are likely to have access to the proposed services based on the following:

- The applicant states that the facility will provide care to any patient upon the written order of a physician without regard to whether the person is a member of an underserved group or not.
- The applicant states that, based on its overall experience, it expects to serve members of underserved groups at rates that meet or exceed their representation in the community.

### **Conclusion**

The Agency reviewed the:

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

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

- (3a) In the case of a reduction or elimination of a service, including the relocation of a facility or a service, the applicant shall demonstrate that the needs of the population presently served will be met adequately by the proposed relocation or by alternative arrangements, and the effect of the reduction, elimination or relocation of the service on the ability of low income persons,



racial and ethnic minorities, women, ... persons [with disabilities], and other underserved groups and the elderly to obtain needed health care.

C

The applicant proposes to relocate 15 ACH beds from Autumn Village (in Duplin County) to The Gardens of Rose Hill (also in Duplin County). Autumn Village will have 73 ACH beds and The Gardens of Rose Hill will have 60 ACH beds upon project completion.

In Section D, page 61, the applicant explains why it believes the needs of the population presently utilizing the services to be relocated will be adequately met following completion of the project. The applicant states:

- Even at peak average utilization, Autumn Village served no more than 77 ACH residents, consistently underutilizing at least 11 ACH beds.
- By relocating 15 ACH beds from semi-private rooms at Autumn Village, the number of private rooms at Autumn Village will increase from 10 private rooms to 25 private rooms.
- By relocating the beds within Duplin County to a facility where they will be utilized, the applicant is proposing to make sure the relocated ACH beds are fully utilized to serve Duplin County residents.

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

- At least 11 ACH beds at Autumn Village are not being utilized by any residents.
- Relocating the existing ACH beds will create more options for potential residents at Autumn Village to have private rooms.

On Form D.1 in Section Q, the applicant provides projected utilization for Autumn Village, as illustrated in the following table.

<b>Autumn Village – Projected Utilization</b>								
	<b>Last FY</b>	<b>Interim FYs</b>						<b>FY 1</b>
	<b>1/22-12/22</b>	<b>12/22-11/23</b>	<b>12/23-11/24</b>	<b>12/24-11/25</b>	<b>12/25-11/26</b>	<b>12/26-11/27</b>	<b>12/27-11/28</b>	<b>12/28-11/29</b>
# of Beds	88	88	88	88	88	88	88	73
# of Admissions	26	42	34	24	24	24	24	24
# of Patient Days	25,213	22,014	28,155	28,908	28,908	28,908	30,514	26,645
Occupancy Rate	78%	69%	88%	90%	90%	90%	95%	100%

In the Assumptions and Methodology for Form D.1 discussion, immediately following Form D.1 in Section Q, and in supplemental information requested by the Agency, the applicant provides the assumptions and methodology used to project utilization, which are summarized below.

- The applicant states that Autumn Village averages two admissions per month and two discharges per month, which results in zero net admissions per month. The applicant assumes that trend will continue overall with the exception of the first interim year.
- The applicant assumes that, during the first interim year, there will be a temporary increase in admissions so that it would be greater than a net of zero admissions per month. The applicant states that it believes some residents of The Gardens of Rose Hill will relocate to Autumn Village in response to trying to get The Gardens of Rose Hill down to zero residents by December 1, 2027.
- The applicant assumes utilization at Autumn Village will remain higher than historical averages during the interim years because of the growing population of Duplin County residents who will need placement in ACH facilities and because of the unavailability of ACH beds in The Gardens of Rose Hill.
- The applicant assumes that at the time of the proposed relocation of beds from Autumn Village to The Gardens of Rose Hill, some of the beds proposed to be relocated will be occupied, and that patients will be able to choose to relocate to The Gardens of Rose Hill or another facility of their choice.
- The applicant assumes that due to the more accessible location and facility improvements at least 15 residents of Autumn Village will want to transfer to The Gardens of Rose Hill.
- In supplemental information requested by the Agency, the applicant states:

*“The Applicants made conservative census projections for The Gardens of Rose Hill because of the close link between census and community finances. That is, the Applicants preferred to make financial projections that did not rely on rapid census growth to be economically sustainable. That said, there is no reason why The Gardens of Rose Hill could not accommodate residents up to its full licensed capacity immediately upon reopening. To the extent The Gardens of Rose Hill grows its census faster than projected, the Project will only more quickly recoup the construction costs of the addition. So, while the census numbers in the projected utilization for The Gardens of Rose Hill upon reopening are on the low end of what may reasonably be expected, The Gardens of Rose Hill will be able to serve any and all residents displaced from Autumn Village by the transfer of the 15 ACH beds as part of the Project, ensuring consistent resident care for those residents who prefer relocation.”*

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

- The applicant relies on historical utilization at the existing facility.
- The applicant adequately explains the projected increase in utilization during the first interim project year.
- The applicant adequately explains how existing residents will be accommodated at the time the relocation of beds takes place.

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

In Section D, pages 61-62, the applicant states:

*“The Project will have benefits for members of all of the above-mentioned groups in need of assisted living services, because it will increase the desirability and comfort of the 133 beds at Autumn Village and The Gardens of Rose Hill. As was mentioned in Section C of this Application, both Autumn Village and The Gardens of Rose Hill will allow admission only on the written order of a physician. Persons whose health, habilitative, or rehabilitative needs cannot be met by the services offered in the facility will not be admitted.*

*Otherwise, all persons will be admitted to the facility without regard to their actual or perceived race, color, creed, age, national origin, [disability], sex, or source of payment. The Applicants propose to reserve 24 (or 40%) of The Garden of Rose Hill’s 60 ACH beds for residents receiving Medicaid/Special Assistance and to continue offering abundant Medicaid/Special Assistance ACH beds at Autumn Village.”*

The applicant adequately demonstrates that the needs of medically underserved groups who will continue to use ACH beds in Duplin County will be adequately met following completion of the project for the following reasons:

- Most of the ACH beds that are being relocated have not historically been utilized; therefore, it cannot have an impact on the needs of medically underserved groups currently seeking healthcare at ACH facilities.
- In supplemental information requested by the Agency, the applicant states it can fully accommodate any residents who wish to relocate from Autumn Village to The Gardens of Rose Hill, or that it will work with residents to transfer them to a different facility of their choice.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Supplemental 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 the following reasons:

- The applicant adequately demonstrates that the needs of the population currently using the services to be relocated will be adequately met following project completion for all the reasons described above.

- The applicant adequately demonstrates that the project will not adversely impact the ability of underserved groups to access these services following project completion for all the reasons described above.
- (4) Where alternative methods of meeting the needs for the proposed project exist, the applicant shall demonstrate that the least costly or most effective alternative has been proposed.

C

The applicant proposes to relocate 15 ACH beds from Autumn Village (in Duplin County) to The Gardens of Rose Hill (also in Duplin County). Autumn Village will have 73 ACH beds and The Gardens of Rose Hill will have 60 ACH beds upon project completion.

In Section E, pages 67-68, the applicant describes the alternatives 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 (leave the ACH beds at Autumn Village): the applicant states that while this option would minimize capital expenditure, it would create difficulties based on maintaining a large census in semi-private rooms. The applicant could operate the rooms as private rooms, but then the beds would only exist “on paper” and would not benefit Duplin County residents; therefore, this was not an effective alternative to meet the need.
- Relocate the ACH Beds to a Different Facility: the applicant states the other ACH facilities in Duplin County are older than The Gardens of Rose Hill and would cost more money to renovate, which is undesirable with inflated construction costs, and that the other ACH facilities in Duplin County are already larger than the applicant wants a facility to be in order to achieve operational and financial efficiencies; therefore, this was not an effective alternative to meet the need.
- Develop a New Facility with 15-20 ACH Beds From Autumn Village: the applicant states that while this would eliminate the need and cost to bring an older building up to code, it would ultimately be more expensive because of the need to purchase land and the small size of the facility would make achieving operational and financial sustainability impossible; therefore, this was not an effective alternative to meet the need.
- Develop a Replacement Facility for The Gardens of Rose Hill and the 15 ACH Beds From Autumn Village: the applicant states that this alternative would significantly increase capital costs, require the demolition of the existing building or the purchase of new land, would significantly extend the timeline needed to complete the project, and would likely result in increased rates for residents to offset the capital costs of the project; therefore, this was not an effective alternative to meet the need.

On page 68, the applicant states that its proposal is the most effective alternative because it will allow 15 ACH beds that are underutilized to be more fully utilized, create affordable and attractive ACH bed options in Duplin County, and achieve economies of scale with construction and economics that would ultimately result in savings to residents.

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
- Supplemental 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 the reasons stated above and is approved subject to the following conditions.

- 1. Rosehill Opco, LLC and Rosehill Propco, LLC (hereinafter certificate holder) shall materially comply with all representations made in the certificate of need application and any supplemental responses. If representations conflict, the certificate holder shall materially comply with the last made representation.**
- 2. The certificate holder shall relocate no more than 15 adult care home beds from Autumn Village in Duplin County to The Gardens of Rose Hill in Duplin County.**
- 3. Upon completion of this project, Autumn Village shall be licensed for no more than 73 adult care home beds and The Gardens of Rose Hill shall be licensed for no more than 60 adult care home beds.**
- 4. The certificate holder shall certify at least 24 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 the application.**
- 5. For the first two years of operation following completion of the project, the certificate holder shall not increase private pay charges more than 5% of the projected private pay charges provided in Section Q of the application without first obtaining a determination from the Healthcare Planning and Certificate of Need Section that the proposed increase is in material compliance with the representations in the certificate of need application.**
- 6. 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 January 1, 2024.**
- 7. 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.**
- 8. The certificate holder shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Agency in writing prior to issuance of the certificate of need.**
- (5) Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial feasibility of the proposal, based upon reasonable projections of the costs of and charges for providing health services by the person proposing the service.

C

The applicant proposes to relocate 15 ACH beds from Autumn Village (in Duplin County) to The Gardens of Rose Hill (also in Duplin County). Autumn Village will have 73 ACH beds and The Gardens of Rose Hill will have 60 ACH beds upon project completion.

**Capital and Working Capital Costs**

On Form F.1a in Section Q, the applicant projects the total capital cost for the proposed project, as shown in the table below.

<b>Projected Capital Cost</b>	
Site Preparation	\$300,000
Construction/Renovation Contract(s)	\$2,550,000
Landscaping	\$50,000
Architect/Engineering Fees	\$100,000
Furniture	\$500,000
Financing/Interest During Construction	\$247,587
<b>Total</b>	<b>\$3,747,587</b>

In the Assumptions and Methodology for Form F.1a discussion, immediately following Form F.1a in Section Q, the applicant provides the assumptions used to project the capital cost. The

applicant adequately demonstrates that the projected capital cost is based on reasonable and adequately supported assumptions based on the following:

- The applicant states the assumptions were based on ALG Senior's development and financial planning and analysis teams.
- The applicant costs were projected based on estimates involving current market conditions, projected market conditions, and in consultation with the project architect.
- The applicant provides supporting documentation in Exhibit E.2.

In Section F, page 72, the applicant projects start-up costs will be \$135,500 and the initial operating period will be 12 months with estimated initial operating costs of \$740,837 for a total working capital cost of \$876,337. The applicant provides the assumptions used to project working capital costs in Exhibit F.3. The applicant adequately demonstrates that the projected working capital needs of the project are based on reasonable and adequately supported assumptions based on the following:

- The applicant has extensive experience in developing new ACH facilities.
- The applicant provides the details about monthly expenses and revenue during the initial operating period as well as the assumptions used to calculate the initial operating costs.

### **Availability of Funds**

In Section F, page 70, the applicant states the capital cost will be financed via a loan to Rosehill Propco, LLC. Exhibit F.2 contains a letter dated February 13, 2023, signed by the Managing Director of Locust Point Capital, which offers to provide a loan in the amount of \$3,747,587 to finance the development of the proposed 15-bed addition to The Gardens of Rose Hill and outlines the terms of the potential loan. Exhibit F.2 also contains an amortization schedule for the loan.

In Section F, page 72, the applicant states the working capital costs will be financed via a loan to Rosehill Opco, LLC. Exhibit F.3 contains a letter dated February 13, 2023, signed by the Managing Director of Locust Point Capital, which offers to provide a loan in the amount of \$876,337 to finance the working capital costs of the proposed 15-bed addition to The Gardens of Rose Hill and outlines the terms of the potential loan. Exhibit F.3 also contains an amortization schedule for the loan.

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

- The applicant provides documentation of its ability to obtain financing, the terms of the financing, and the amortization schedule of the loan for the projected capital cost.
- The applicant provides documentation of its ability to obtain financing, the terms of the financing, and the amortization schedule of the loan for the working capital costs.

### **Financial Feasibility**

The applicant provided pro forma financial statements for the first three full fiscal years of operation following completion of the project. On Forms F.2b and F.3b in Section Q, the applicant projects that operating expenses will exceed revenues in the first full fiscal year following project completion, but revenues will exceed operating expenses in the second and third full fiscal years following completion of the project, as shown in the table below.

<b>The Gardens of Rose Hill Projected Revenue &amp; Expenses – FYs 1-3</b>			
	<b>FY 1 (12/28-11/29)</b>	<b>FY 2 (12/29-11/30)</b>	<b>FY 3 (12/30-11/31)</b>
# of Patient Days	7,524	18,388	19,710
Gross Revenue	\$1,110,250	\$2,715,611	\$2,911,386
Net Revenue	\$1,099,147	\$2,688,454	\$2,882,272
Average Net Revenue per Patient Day	\$146	\$146	\$146
Operating Costs	\$1,420,018	\$1,850,850	\$1,949,437
Average Operating Costs per Patient Day	\$189	\$101	\$99
<b>Income/(Loss)*</b>	<b>(\$320,871)</b>	<b>\$837,604</b>	<b>\$932,835</b>

\*Calculated by the Project Analyst

The assumptions used by the applicant in preparation of the pro forma financial statements are provided immediately following Forms F.2b and F.3b in Section Q. The applicant adequately demonstrates that the financial feasibility of the proposal is reasonable and adequately supported based on the following:

- The applicant provides appropriate funding for line items such as salaries on Form F.3b and includes the assumptions and methodology used in projecting the operating expenses found on Form F.3b.
- The applicant provides the details of projected rates for future ACH residents on Form F.4 and includes the assumptions and methodology used in calculating the resident rates found on Form F.4.
- 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
- Information publicly available during the review and used by the Agency

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



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

C

The applicant proposes to relocate 15 ACH beds from Autumn Village (in Duplin County) to The Gardens of Rose Hill (also in Duplin County). Autumn Village will have 73 ACH beds and The Gardens of Rose Hill will have 60 ACH beds upon project completion.

On page 171, the 2023 SMFP defines the service area for ACH beds as “... *the county in which the adult care home bed is located. Each of the 100 counties is a separate service area.*” Thus, the service area for this facility is Duplin County. Facilities may also serve residents of counties not included in their service area.

Table 11A on page 182 of the 2023 SMFP shows a total of 387 existing ACH beds in six existing ACH facilities. The table below summarizes the existing facilities and ACH beds as shown in the 2023 SMFP.

<b>Duplin County Inventory of Existing/Approved ACH Beds</b>			
<b>Facility</b>	<b># of Beds</b>	<b>CON Adjustments</b>	<b>Planning Inventory</b>
Autumn Village	88	0	88
DaySpring of Wallace	80	0	80
Golden Care Rest Facilities	30	0	30
The Gardens of Rose Hill	45	0	45
Wallace Gardens	64	0	64
Wellington Park	80	0	80
<b>Total</b>	<b>387</b>	<b>0</b>	<b>387</b>

Source: 2023 SMFP

In Section G, page 79, the applicant states there is no data available for Golden Care Rest Facilities in LRAs from 2019-2022 and the Adult Care Licensure Section does not list the facility as licensed.

In Section G, pages 80-81, the applicant explains why the proposal would not result in the unnecessary duplication of existing or approved ACH bed services in Duplin County. The applicant states:

*“The Applicants’ proposed relocation of 15 ACH beds from Autumn Village to The Gardens of Rose Hill within Duplin County will not result in the unnecessary duplication of ACH services in Duplin County. This Application proposes not to duplicate ACH beds, but take to advantage of this period of lower census due to COVID-19 to ensure two existing facilities will be better able to meet and future market demands with minimal disruption to the lives of current ACH residents.*

...

*The Project will right-size two existing ACH communities to achieve greater operational and financial efficiencies that will help those communities survive the challenges of a market transformed by COVID-19 so that they may serve future residents. Even though only 15 licensed ACH beds will be moved between facilities, this relatively small change will result in 67 private rooms [25 (or 34%) of 73 ACH beds at Autumn Village and 42 (or 70%) of the 60 ACH beds at The Gardens of Rose Hill] where there had only been 19 private rooms in the past. As such, the Project will create better ACH choices for Duplin County residents without adding any additional ACH beds to the Planning Inventory.”*

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 applicant adequately demonstrates the need the population of Duplin County has for additional private rooms in ACH facilities.
- The applicant adequately demonstrates the proposed relocation of ACH beds is needed in addition to the status quo of existing ACH facilities in Duplin County.

### **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.

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

C

The applicant proposes to relocate 15 ACH beds from Autumn Village (in Duplin County) to The Gardens of Rose Hill (also in Duplin County). Autumn Village will have 73 ACH beds and The Gardens of Rose Hill will have 60 ACH beds upon project completion.

On Form H in Section Q, the applicant provides the current projected full-time equivalent (FTE) staffing for the proposed services, as summarized below.

<b>The Gardens of Rose Hill – Current &amp; Projected Staffing – FYs 1-3</b>				
	<b>Current 12/31/2022</b>	<b>FY 1 12/28-11/29</b>	<b>FY 2 12/29-11/30</b>	<b>FY 3 12/30-11/31</b>
Registered Nurses (RNs)	0.0	0.5	0.5	0.5
Certified Nurse Aides/Assistants	18.5	9.0	12.1	12.6
Staff Development Coordinator	1.0	1.0	1.0	1.0
Cooks	5.0	4.8	5.1	5.1
Activities Director	0.0	0.8	1.0	1.0
Laundry & Linen	1.0	0.6	0.6	0.6
Housekeeping	1.0	1.9	2.6	2.6
Maintenance/Engineering	0.0	0.8	0.9	0.9
Administrator/CEO	1.0	1.0	1.0	1.0
Business Office	0.0	1.3	1.4	1.4
Transportation	0.5	0.6	0.9	0.9
<b>Total</b>	<b>28.0</b>	<b>22.3</b>	<b>27.0</b>	<b>27.6</b>

The assumptions and methodology used to project staffing are provided in the Assumptions and Methodology for Form H – Staffing subsection of Section Q, immediately following Form H. Adequate operating expenses for the health manpower and management positions proposed by the applicant are budgeted in Form F.3b. In Section H, pages 82-83, the applicant describes the methods to be 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 provides extensive information about the data, assumptions, and methodology used to calculate staffing costs and provides appropriate funding for staffing on Form F.3b.
- The applicant describes steps it has taken to implement plans to recruit staff and discusses the resources it will use to recruit personnel as well as provide staff training.

**Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

- (8) The applicant shall demonstrate that the provider of the proposed services will make available, or otherwise make arrangements for, the provision of the necessary ancillary and support

services. The applicant shall also demonstrate that the proposed service will be coordinated with the existing health care system.

### C

The applicant proposes to relocate 15 ACH beds from Autumn Village (in Duplin County) to The Gardens of Rose Hill (also in Duplin County). Autumn Village will have 73 ACH beds and The Gardens of Rose Hill will have 60 ACH beds upon project completion.

#### **Ancillary and Support Services**

In Section I, page 84, the applicant identifies the necessary ancillary and support services for the proposed services. On pages 84-85, the applicant explains how each ancillary and support service will be made available and provides supporting documentation in Exhibit I.1. The applicant adequately demonstrates that the necessary ancillary and support services will be made available based on the following:

- The applicant identifies the necessary ancillary and support services.
- In Exhibit I.1, the applicant provides a proposed consulting contract that addresses how the necessary ancillary and support services will be provided.

#### **Coordination**

In Section I, pages 85-86, the applicant describes its efforts to develop relationships with other local health care and social service providers and provides supporting documentation in Exhibit I.2. The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system based on the following:

- The applicant provides details of the numerous attempts it has already made to develop relationships in the community.
- In Exhibit I.2, the applicant provides letters of support from other local health care and social service providers which state they have existing relationships with the applicant.

#### **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

- (11) The applicant is not an HMO. Therefore, Criterion (10) is not applicable to this review.  
Repealed effective July 1, 1987.
- (12) Applications involving construction shall demonstrate that the cost, design, and means of construction proposed represent the most reasonable alternative, and that the construction project will not unduly increase the costs of providing health services by the person proposing the construction project or the costs and charges to the public of providing health services by other persons, and that applicable energy saving features have been incorporated into the construction plans.

C

The applicant proposes to relocate 15 ACH beds from Autumn Village (in Duplin County) to The Gardens of Rose Hill (also in Duplin County). Autumn Village will have 73 ACH beds and The Gardens of Rose Hill will have 60 ACH beds upon project completion.

In Section K, page 89, the applicant states that the proposed project involves constructing an addition of 7,443 square feet onto the existing building. Line drawings are provided in Exhibit K.1.

In supplemental information requested by the Agency, 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 states the architect it chose to work with has extensive experience in designing and efficiently constructing affordable ACH facilities.
- The applicant states the architect it chose to work with is aware of fluctuating costs in construction materials and can adapt designs or make recommendations on substitutions that would keep costs low while still constructing a functional and attractive building.
- The applicant states it was able to find an option to maximally utilize existing space to develop larger private patient rooms without having to construct significant additional space, which helped to keep capital expenditures low.

In supplemental information requested by the Agency, 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 applicant states that the relocation will make both facilities the optimal size for operational efficiencies and economies of scale.
- The applicant states the relocation of underutilized beds will increase revenues that will help to offset the costs from construction without needing to pass along increases to residents.

In supplemental information requested by the Agency, the applicant identifies any applicable energy saving features that will be incorporated into the construction plans.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Supplemental 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.

- (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, pages 92-93, the applicant provides the historical payor mix for both The Gardens of Rose Hill and Autumn Village, as shown in the table below.

<b>Historical Payor Mix – The Gardens of Rose Hill &amp; Autumn Village – 8/2021 – 7/2022</b>		
<b>Payor Source</b>	<b>The Gardens of Rose Hill</b>	<b>Autumn Village</b>
	<b>% of Patients</b>	<b>% of Patients</b>
Self-Pay	47.41%	15.64%
Medicaid	52.59%	84.36%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

In Section L, pages 93-94, the applicant provides the following comparison.

	<b>% of Total Patients Served by The Gardens of Rose Hill during the Last Full FY</b>	<b>% of Total Patients Served by Autumn Village during the Last Full FY</b>	<b>% of the Population of Duplin County</b>
Female	64.0%	64.3%	50.7%
Male	36.0%	35.7%	49.3%
Unknown	0.0%	0.0%	0.0%
64 and Younger	13.9%	33.3%	80.3%
65 and Older	86.1%	66.7%	19.7%
American Indian	2.4%	0.0%	1.5%
Asian	0.0%	0.0%	0.9%
Black or African-American	19.0%	14.3%	25.2%
Native Hawaiian or Pacific Islander	0.0%	0.0%	0.6%
White or Caucasian	73.8%	83.9%	69.9%
Other Race	0.0%	1.8%	1.8%
Declined / Unavailable	4.8%	0.0%	0.0%

**Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the applicant adequately documents the extent to which medically underserved populations currently use the applicant's existing services in comparison to the percentage of the population in the applicant's

service area which is medically underserved. Therefore, the application is conforming to this criterion.

- (b) Its past performance in meeting its obligation, if any, under any applicable regulations requiring provision of uncompensated care, community service, or access by minorities and handicapped persons 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 94, the applicant states that neither The Gardens of Rose Hill nor Autumn Village have any such obligation.

In Section L, page 94, the applicant states that there have not been any patient civil rights claims filed in the 18 months immediately preceding the application deadline against either The Gardens of Rose Hill or Autumn Village.

### **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.

- (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 95, the applicant projects the following payor mix for the proposed services during the third full fiscal year of operation following completion of the project, as shown in the table below.

<b>The Gardens of Rose Hill – Projected Payor Mix – 3<sup>rd</sup> FY (12/30-11/31)</b>	
<b>Payor Source</b>	<b>% of Patients</b>
Self-Pay	60%
Medicaid	40%
<b>Total</b>	<b>100%</b>



As shown in the table above, during the third full fiscal year of operation, the applicant projects that 60% of total services will be provided to self-pay patients and 40% to Medicaid patients.

The applicant does not provide the assumptions and methodology used to project payor mix during the third full fiscal year of operation following completion of the project in Section L; however, the projected payor mix is reasonable and adequately supported based on the following:

- In Section C, page 47, the applicant states it projects to offer 40% of its beds to Medicaid patients, which is consistent with the applicant's projections in Section L.
- In Section C, page 47, the applicant states it projects to offer an amount of Medicaid services that is consistent with the amount of Medicaid enrollees that exist in Duplin County.

### **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.

- (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 96, the applicant adequately describes the range of means by which patients will have access to the proposed services.

### **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.

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

C

The applicant proposes to relocate 15 ACH beds from Autumn Village (in Duplin County) to The Gardens of Rose Hill (also in Duplin County). Autumn Village will have 73 ACH beds and The Gardens of Rose Hill will have 60 ACH beds upon project completion.

In Section M, page 97, the applicant describes the extent to which health professional training programs in the area will have access to the facility for training purposes and provides supporting documentation in Exhibit M.1. The applicant adequately demonstrates that health professional training programs in the area will have access to the facility for training purposes based on the following:

- The applicant states that it encourages partnerships with local health professional training programs and plans to continue to build collaborative relationships with such programs because they offer benefits to both the training programs and the residents of the facility.
- The applicant has identified James Sprunt Community College as a potential local health professional training program to collaborate with and states that it has already been in contact with appropriate administration at the school
- In Exhibit M.1, the applicant provides documentation of its outreach to and discussions with James Sprunt Community College.

**Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

demonstrate that its application is for a service on which competition will not have a favorable impact.

C

The applicant proposes to relocate 15 ACH beds from Autumn Village (in Duplin County) to The Gardens of Rose Hill (also in Duplin County). Autumn Village will have 73 ACH beds and The Gardens of Rose Hill will have 60 ACH beds upon project completion.

On page 171, the 2023 SMFP defines the service area for ACH beds as “... *the county in which the adult care home bed is located. Each of the 100 counties is a separate service area.*” Thus, the service area for this facility is Duplin County. Facilities may also serve residents of counties not included in their service area.

Table 11A on page 182 of the 2023 SMFP shows a total of 387 existing ACH beds in six existing ACH facilities. The table below summarizes the existing facilities and ACH beds as shown in the 2023 SMFP.

<b>Duplin County Inventory of Existing/Approved ACH Beds</b>			
<b>Facility</b>	<b># of Beds</b>	<b>CON Adjustments</b>	<b>Planning Inventory</b>
Autumn Village	88	0	88
DaySpring of Wallace	80	0	80
Golden Care Rest Facilities	30	0	30
The Gardens of Rose Hill	45	0	45
Wallace Gardens	64	0	64
Wellington Park	80	0	80
<b>Total</b>	<b>387</b>	<b>0</b>	<b>387</b>

In Section G, page 79, the applicant states there is no data available for Golden Care Rest Facilities in LRAs from 2019-2022 and the Adult Care Licensure Section does not list the facility as licensed.

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 98, the applicant states:

*“The proposed Project will have a positive effect on competition in the area because the growing demand for ACH beds and the attractiveness of the improved The Gardens of Rose Hill will encourage other facilities with poor utilization in Duplin County to improve so that they may better compete with the proposed Project. Increased competition will also encourage greater efficiencies and better quality of care. .... The Applicants expect that the relocation of these 15 ACH beds will stimulate utilization of Duplin County ACH beds overall by providing excellent service and top-notch care at an affordable price that is both competitive and accessible to private payors and open to recipients of Medicaid.”*

Regarding the impact of the proposal on cost effectiveness, in Section N, pages 98-99, the applicant states:

*“The proposed Project will offer competitive rates for private pay residents, allowing the facility to maintain excellent utilization. The Applicants wish to offer updated and comfortable ACH beds at prices that are projected to be at or below the market average. The provision of high-quality services in updated surroundings will encourage other ACH providers to keep their rates low enough to compete with The Gardens of Rose Hill for residents, thus keeping the cost of service reasonable for area residents.*

*Additionally, adding 15 ACH beds to The Gardens of Rose Hill and reducing the number of ACH beds at Autumn Village will help both facilities. Each of them will be at or near the target size of 60 to 70 ACH beds that ALG Senior LLC has identified as the size at which ACHs may reach financial efficiencies of scale without becoming too large and institutional. The sustainability of these right-sized facilities is improved, which allows rates to remain reasonable, as residents do not have to pay for the shortfall caused by too many unoccupied ACH beds.*

...

*..., the Project proposes to offer a significant portion of its ACH beds (40% of the 60 ACH beds, or 24 beds) to Medicaid/Special Assistance residents at Medicaid/Special Assistance room and board rates. The Medicaid/Special Assistance beds are expected to be in high demand given the high rates of Medicaid eligibility in Duplin County and the strong utilization of ACH beds by Medicaid recipients in recent years. Additionally, the Project will increase the number of private rooms available in Duplin County at Autumn Village and The Gardens of Rose Hill from 19 to 67, or approximately 253%. ALG Senior LLC’s experience has shown that private rooms have been in increasing demand since the beginning of the COVID-19 pandemic. Full bed utilization, achieved through reasonable private payor rates and high-demand Medicaid placements, will contribute to the overall cost effectiveness of the Project.”*

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

Regarding the impact of the proposal on quality, in Section N, page 99, the applicant states:

*“..., the Applicants will develop the proposed Project to the highest quality and care standards. ..., the proposed Project is designed to provide a home-like setting in a community of care. The Applicants hope to leverage their growing relationship with James Sprunt Community College to attract the best talent, and to encourage ongoing professional development in their staff.*

*A commitment to best practices in the areas of Personal Care Services, Pharmacy Services and Medication Administration, and overall resident care will be overseen by an experienced QA team within ALG Senior LLC, whose only goal is the provision of the finest in resident care and services. The QA team is overseen by ALG’s Senior Vice President of Clinical Services and performs a comprehensive review of all operating systems at ALG-supported communities, including Administrative, Clinical, Dining, Environmental, Human Resources (Personnel), and Programming. QA staff will make*

*regular monthly visits to The Gardens of Rose Hill to assure compliance with state regulations, and to check delivery systems to ensure ongoing safety and quality of care. QA staff will provide consultation and staff training on a continuous basis.*

*As a further demonstration of ALG's commitment to quality assurance and regulatory compliance, clinical and care operations of the proposed Project will be overseen by a Divisional Vice President of Operations (DVPO) and a Divisional Director of Clinical Services (DDCS) to ensure consistent delivery of care and services."*

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

Regarding the impact of the proposal on access by medically underserved groups, in Section N, page 100, the applicant states:

*".... Persons whose health, habilitative, or rehabilitative needs cannot be met by the services offered in the facility will not be admitted.*

*Otherwise, all persons will be admitted to the facility without regard to their actual or perceived race, color, creed, age, national origin, [disability], sex, or source of payment. The Applicants propose to reserve 24 of The Garden of Rose Hill's 60 ACH beds for residents receiving Medicaid/Special Assistance.*

*The Applicants intend that The Gardens of Rose Hill will provide excellent service to many residents who are members of underprivileged or minority groups that are traditionally underserved."*

See also Sections C, D, and L 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

The applicant proposes to relocate 15 ACH beds from Autumn Village (in Duplin County) to The Gardens of Rose Hill (also in Duplin County). Autumn Village will have 73 ACH beds and The Gardens of Rose Hill will have 60 ACH beds upon project completion.

On Form O in Section Q, the applicant identifies the ACH facilities located in North Carolina that are owned, operated, or managed by the applicant or a related entity. The applicant identifies a total of 109 ACH facilities located in North Carolina.

In Section O, page 103, and in Exhibit O.7, the applicant states that, during the 18 months immediately preceding the submittal of the application, 35 facilities received a state administrative action that included the imposition of a Type A or an unabated violation, the summary suspension of a license, or the revocation of a license. On page 103 and in Exhibit O.7, the applicant states all facilities are fully back in compliance. After reviewing and considering information provided by the applicant and considering the quality of care provided at all 109 ACH facilities, the applicant provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

- (21) Repealed effective July 1, 1987.

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

NA

The applicant proposes to relocate 15 existing ACH beds from an existing and operational facility in Duplin County to another existing and operational facility in Duplin County. The Criteria and Standards for Nursing Facility or Adult Care Home Services promulgated in 10A NCAC 14C .1100 are not applicable to this review because the applicant does not propose to develop either nursing home facility beds or adult care home beds pursuant to a need determination.