

## REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA = Conforming as Conditioned

NC = Nonconforming

NA = Not Applicable

Decision Date: July 3, 2024

Findings Date: July 3, 2024

Project Analyst: Crystal Kearney

Co-Signer: Gloria C. Hale

Project ID #: J-12492-24

Facility: Waltonwood Wake

FID #: 240135

County: Wake

Applicant(s): Waltonwood Wake, LLC

Project: Develop a new ACH facility by relocating no more than 100 ACH beds from Oliver House, including a 30-bed SCU

## 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

Waltonwood Wake, LLC (referred to as “the applicant”) proposes to develop a new 100-bed adult care home (ACH) facility, including a 30-bed Special Care Unit (SCU), in Cary, in Wake County by relocating 100 existing, licensed ACH beds from an existing facility in Wake County, Oliver House. The new 100 bed ACH facility will be known as Waltonwood Wake (hereinafter referred to as “Waltonwood”).

### Need Determination

The proposed project does not involve the addition of any new health service facility beds, services, or equipment for which there is a need determination in the 2024 State Medical Facilities Plan (SMFP). Therefore, there are no need determinations applicable to this review.

### **Policies**

There is one policy in the 2024 SMFP which is applicable to this review: Policy **GEN-4: Energy Efficiency and Sustainability for Health Service Facilities**, on page 30 of the 2024 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. 131E178, Certificate of Need shall impose a condition requiring the applicant to develop and implement an Energy Efficiency and Sustainability Plan for the project that conforms to or exceeds energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes. The plan must be consistent with the applicant’s representation in the written statement as described in paragraph one of Policy GEN 4.*

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

The projected capital cost for the project is over \$5 million. In Section B, page 26, the applicant states,

*“...plans to utilize energy efficient features including LED lighting, automatic lighting fixtures, high efficiency mechanical design, energy star-rated appliances, high performance building insulation, energy efficient windows, and other features to ensure the new facility is state-of-the art in terms of energy efficiency.”*

Moreover, the applicant further states on page 28 that they will “incorporate water conservation measures such as low-flow plumbing fixtures and water-efficient appliances to ensure improved water conservation priorities.” The applicant includes a letter from Todd J. Rankine, Licensed Architect, in Exhibit F.1, confirming the applicant’s project design intent to create a more energy efficient and sustainable building.

## **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Remarks made at the public hearing

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

- The applicant adequately demonstrates that the proposal is consistent with Policy GEN-4 because they adequately describe how they will ensure energy efficiency and water conservation.
  - The applicant provides documentation from a licensed architect confirming the applicant’s energy efficiency and water conservation plans.
- (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.

NC

The applicant proposes to develop a new ACH facility by relocating no more than 100 ACH beds from Oliver House, which has no residents, including a 30-bed SCU upon project completion.

## **Patient Origin**

On page 179, the 2024 SMFP defines the service area for ACH beds as “*the county in which the adult care home bed is located.*” The proposed ACH facility and the existing facility from which the ACH beds are to be relocated are both located in Wake County. Thus, the service area for the project is Wake County. Facilities may also serve residents of counties not included in their service area.

The applicant states that Waltonwood Wake will be a new facility and therefore does not have any historical patient origin. The applicant states that Oliver House is the only facility from which existing beds will be relocated as part of this proposal.

The following table illustrates the historical patient origin for Oliver House.

Oliver House
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Last Full FY 08/01/2021 to 07/31/2022		
County	# of patients	% of Total
Durham	1	1.9%
Nash	2	3.8%
Wake	28	53.8%
Wayne	20	38.5%
Unknown	1	1.9%
<b>Total</b>	<b>52</b>	<b>100.0%</b>

Source: Section C, page 30

The applicant provides the projected patient origin for Waltonwood Wake, as shown in the table below.

Waltonwood Wake Projected Patient Origin						
	1 <sup>st</sup> Full FY		2 <sup>nd</sup> Full FY		3 <sup>rd</sup> Full FY	
County	FY 2028		FY 2029		FY 2030	
	# of Patients	% of Total	# of Patients	% of Total	# of Patients	% of Total
Wake	48	91%	70	91%	83	91%
Other NC Counties*	5	9%	7	9%	8	9%
<b>Total</b>	<b>53</b>	<b>100%</b>	<b>77</b>	<b>100%</b>	<b>91</b>	<b>100%</b>

Source: Section C, page 34

\*Other NC Counties include Durham, Nash, Wayne, and other North Carolina counties

In Section C, page 34, the applicant provides the assumptions and methodology used to project its patient origin. The applicant's assumptions are reasonable and adequately supported based on the following:

- The applicant states that the projections are based on the applicant's historical experience with patient origin for the residents it serves at its three Wake County ACH facilities.
- The applicant states that its projections considered the available patient origin data from Oliver House.

### **Analysis of Need**

In Section C, pages 35-52, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, as summarized below:

- The applicant states that the patients projected to be served need a new facility because Oliver House is not operational and is not providing care to patients at this time.

- The applicant states that the proposed facility, Waltonwood Wake, will provide area residents and those seeking ACH care with a viable facility alternative that is not currently available at Oliver House.
- The applicant states that the relocation and development of the 100 existing ACH beds will enable the applicant to provide a brand new, state-of-the art facility for residents of Wake County and surrounding areas.
- The applicant states that it proposes to include an SCU in the new facility to meet patient demand for such a unit.
- The applicant states that its proposal is based on several factors which relate to the needs of Wake County residents expected to utilize the proposed ACH beds including Wake County sizable population, regional appeal, growth trends, aging population, reported increases in adult life expectancy among residents, community support for Waltonwood, data on area population, patient demand for quality ACH services, need for SCU memory care, Waltonwood commitment to CON project development, and ability to locate in the popular Cary area of Wake County.

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

- The applicant provides population data that demonstrates the need for the ACH beds proposed to be relocated.
- The applicant demonstrates that the beds proposed to be replaced and relocated to a newly developed facility with a new SCU, in the proposed location, are needed to address the demand for ACH and SCU services.

#### Projected Utilization

The applicant provides projected utilization for the first three full fiscal years which correspond to calendar years 2028, 2029, and 2030, as illustrated in the following table.

<b>Projected Utilization Waltonwood Wake</b>			
	<b>1<sup>st</sup> Full FY</b>	<b>2<sup>nd</sup> Full FY</b>	<b>3<sup>rd</sup> Full FY</b>
	<b>CY 2028</b>	<b>CY 2029</b>	<b>CY 2030</b>
<b>ACH- All Beds</b>			
# of Beds	100	100	100
# of Admissions	35	51	59
# of Patient Days	19,250	28,284	33,100
Average Length of Stay	557	557	557
Occupancy Rate	53%	77%	91%
<b>ACH- SCU</b>			
# of SCU Beds	30	30	30
# of Admissions	18	18	19
# of Patient Days	9,900	10,184	10,600
Average Length of Stay	557	557	557
Occupancy Rate	90%	93%	97%

Source: Section Q, page 114, Form D.1

In Section Q, Form D.1, the applicant provides the assumption and methodology used to project utilization, which is summarized below.

- The applicant stated that to develop its projected utilization, it analyzed its actual historical data for the opening and initial operation of its Waltonwood facilities in the highly populated counties of Wake and Mecklenburg.
- The applicant states to develop its projections, it next used its historical occupancy rates from one of its ACH facilities in Wake County and one of its facilities in Mecklenburg County to project occupancy for Years One and Two. In addition, the applicant considered its experience in opening its ACH in Cary.
- The applicant states that to determine a reasonable Year Three utilization target for its proposed facility, it examined the historical patient data for its two existing facilities in Wake County. Both facilities include a Special Care Unit.
- The applicant relied on average length of stay for its two existing facilities in Wake County.
- The applicant states that it combined its Years One and Two projections with the projection for Year Three representing the ongoing experience at the facility moving forward.

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

- The facility from which the ACH beds are proposed to be relocated is closed and potential residents are currently not being served.

- The occupancy rates are based on the applicant’s experience opening and operating other ACH facilities, in highly populated areas in the state.
- The projections consider the strong demand for SCU services.

**Access to Medically Underserved Groups**

In Section C, page 61, the applicant states:

*“The applicant will afford access to all individuals seeking care who require the services proposed and are appropriate for the level of care offered in ACH setting and will not discriminate based on age nor social, racial, ethnic, or gender-related characteristics.*

*All persons will have access to the proposed facility upon demonstration of care needs consistent with the ACH services to be offered.”*

The applicant provides the estimated percentage for each medically underserved group, as shown in the following table from page 62.

<b>Medically Underserved Groups</b>	<b>Percentage of Total Patients during the Third Full FY</b>
Low income persons	3%
Racial and ethnic minorities	33.4%
Women	50.9%
Persons with Disabilities	No Basis to Estimate
Persons 65 and older	100%
Medicare beneficiaries	100%
Medicaid recipients	0%

However, the applicant does not adequately describe the extent to which all residents of the service area, including underserved groups, are likely to have access to the proposed services because it does propose to provide any of its proposed services to Medicaid recipients.

**Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Information publicly available during the review and used by the Agency
- Remarks made at the public hearing

Based on that review, the Agency concludes that the application is not conforming to this criterion for the reason described above.

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

NA

The applicant proposes to develop a new ACH facility by relocating no more than 100 ACH beds from Oliver House, which has no residents, including a 30-bed SCU upon project completion.

In Section D, page 66, the applicant states that no ACH beds were occupied at Oliver House during FY 2023. The applicant provides supporting documentation in Exhibit B-2. Since there is no population presently being served at Oliver House, Criterion (3a) is not applicable to this review.

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

NC

The applicant proposes to develop a new ACH facility by relocating no more than 100 ACH beds from Oliver House, which has no residents, including a 30-bed SCU upon project completion.

In Section E, pages 71-73, the applicant describes the alternatives it considered and explains why each alternative is either more costly or less effective than the alternative proposed in this application to meet the need. The alternatives considered were:

Maintain the Status Quo

The applicant considered the alternative of not developing a proposed facility via relocation of the beds from the Oliver House facility. The applicant states it did not decide to maintain the status quo by not relocating the beds because it would not be effective in meeting the needs of the growing and aging Wake County population for vital ACH services. Oliver House is not operational and thus offers no ACH services despite its location in a geographically large and highly populated county in North Carolina. The applicant states its proposal will not increase the existing inventory of ACH beds but will put beds back into service to meet residents' needs. Because the "status quo" is not effective in offering important ACH service, the applicant did not select to maintain the status quo.



### Purchase and Renovate Oliver House

The applicant dismissed this alternative based on the age and condition of Oliver House, and the extent of renovations that would likely be required to offer state-of-the-art ACH services, including spaces meeting the applicable requirements for ACH and SCU beds. Therefore, this was not the most effective alternative.

### Develop the ACH Beds in Another County

The applicant states that because Wake County is a populous County with an increasing number of residents, the alternative of relocating the ACH beds out of Wake County was determined not to be an effective alternative to meet the need that exists and is forecasted for Wake County. Therefore, moving the beds to a less populous area was determined not to be the most effective alternative.

The proposed project would meet the need that exists in Wake County for ACH beds and memory care services. There are 100 licensed ACH beds in the Wake County inventory located at Oliver House, which are not currently operational.

In Section E, pages 72-73, the applicant states that its proposal is the most effective alternative because it will use its expertise to develop a facility that puts the existing 100 ACH beds to their highest and best use in a building with state-of-the-art amenities and energy saving features to offer residents a comfortable, home-like setting to receive ACH services.

However, the applicant does not adequately demonstrate that the alternative proposed in this application is the most effective alternative to meet the need because the application is not conforming to all statutory and regulatory review criteria. An application that cannot be approved cannot be an effective alternative to meet the need.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Remarks made at the public hearing

Based on that review, the Agency concludes that the application is not conforming to this criterion for the reasons stated above. Therefore, the application is denied.

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

C

The applicant proposes to develop a new ACH facility by relocating no more than 100 ACH beds from Oliver House, which has no residents, including a 30-bed SCU upon project completion.

**Capital and Working Capital Costs**

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

Construction Cost	\$48,041,852
Architect/ Engineering Fees	\$1,775,000
Medical Equipment	\$417,000
Non Medical Equipment	\$417,000
Furniture	\$417,000
Consultant Fees	\$300,000
Other	\$532,400
<b>Total Capital Cost</b>	<b>\$51,900,252</b>

In Section Q, immediately following Form F.1a, the applicant provides the assumptions used to project the capital cost. The applicant adequately demonstrates that the projected capital cost is based on reasonable and adequately supported assumptions based on the following:

- The applicant identified construction cost pursuant to the cost estimate of a licensed architect (see Exhibit F.1).
- The applicant based its other costs on its experience developing and opening similar ACH facilities in the state.

In Section F, pages 76–77, the applicant projects that start-up costs will be \$50,000 and initial operating expenses will be \$1,713,479 for a total working capital of \$1,763,479. On page 77, the applicant provides the assumptions and methodology used to project the working capital needs of the project. 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 describes the start-up costs it will incur which include costs related to hiring and training staff, utility costs, supplies, and marketing/advertising.
- The applicant states that the initial operating period will include four (4) months during which cash outflow (operating costs) for the entire facility will exceed cash inflow (revenues) for the entire facility.
- The applicant states that it is an experienced provider of ACH services and has considerable experience in facility operations which have informed its estimates as to the duration of the initial operating period.

**Availability of Funds**

In Section F, page 74, the applicant states that the capital cost will be funded as shown in the table below.

<b>Sources of Capital Cost Financing</b>		
<b>Type</b>	<b>Waltonwood Wake, LLC</b>	<b>Total</b>
Loans	\$0	\$0
Accumulated reserves or OE *	\$51,900,252	\$51,900,252
Bonds	\$0	\$0
Other (Specify)	\$0	\$0
<b>Total Financing</b>	<b>\$51,900,252</b>	<b>\$51,900,252</b>

\* OE = Owner's Equity

In Section F, page 78, the applicant states that the working capital needs of the project will be funded, as shown in the table below.

<b>Sources of Financing for Working Capital</b>	<b>Amount</b>
Loans	\$0
Cash or Cash Equivalents, Accumulated Reserves or Owner's Equity	\$1,763,479
Lines of credit	\$0
Bonds	\$0
<b>Total *</b>	<b>\$1,763,479</b>

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

- In Exhibit F.2, the applicant provides a letter from SINGH Development Company (SINGH). The letter states that SINGH commits up to \$55 million in accumulated reserves to the applicant to finance all capital costs and working capital costs of this project.
- In Exhibit F.2b, the applicant provides a letter, dated February 14, 2024, from Comerica Bank. The letter states it has provided services to the Singh family of companies and its members and owners for over 60 years and states that Singh Development Company has sufficient funds to cover the anticipated capital costs and working capital requirements associated with its proposed project.

**Financial Feasibility**

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

Projected Revenues and Net Income upon Project Completion	<b>1<sup>st</sup> Full FY 2028</b>	<b>2<sup>nd</sup> Full FY 2029</b>	<b>3<sup>rd</sup> Full FY 2030</b>

<b>ACH Services Waltonwood Wake</b>			
Total Days	19,250	28,284	33,100
Total Gross Revenues (Charges)	\$6,501,130	\$10,617,921	\$12,234,647
Total Net Revenue	\$6,501,130	\$10,617,921	\$12,234,647
Average Net Revenue per Patient Day	\$338	\$375	\$370
Total Operating Expenses (Costs)	\$6,936,971	\$6,764,975	\$7,124,224
Average Operating Expense per Patient Day	\$360	\$239	\$215
Net Income	(\$435,841)	\$3,852,946	\$5,110,423

Source: Section Q, Form F.2b, page 122

The assumptions used by the applicant in preparation of the pro forma financial statements are provided in Section Q, pages 122-124.

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

- The applicant provides its revenues and operating cost assumptions based on its experience operating ACH facilities in the state.
- 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
- Remarks made at the public hearing

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.

The applicant proposes to develop a new ACH facility by relocating no more than 100 ACH beds from Oliver House, which has no residents, including a 30-bed SCU upon project completion.

On page 179, the 2024 SMFP defines the service area for ACH beds as “*the county in which the adult care home bed is located.*” The proposed ACH facility will be located in Wake County. Thus, the service area for this project is Wake County. Facilities may also serve residents of counties not included in their service area.

The applicant indicates that there are currently a total of 135 facilities in Wake County with licensed ACH beds. The table below is a summary of those facilities, from the 2024 SMFP, Chapter 11, Tables 11A and 11E, pages 204-206 and page 218, respectively.

<b>Wake County ACH Facilities</b>	<b>ACH Beds</b>
Brighton Gardens of Raleigh	115
Brookdale Cary	50
Brookdale MacArthur Park	80
Brookdale Wake Forest	70
Brookridge Assisted Living (Facility closed. Transfer 55 beds to Mayview Assisted Living Center)	0
Cadence at Wake Forest (Beds awarded per settlement agreement from 2000 & 2007)	96
Cadence Garner (Beds awarded per settlement agreement from 2000 & 2007)	84
Cadence North Raleigh (Beds awarded per settlement agreement from 2000 & 2007)	96
Chatham Commons	80
Coventry House of Zebulon	60
Falls River Court Memory Care Community	38
Falls River Village Assisted Living Community	60
Foundation Senior Living	126
Heartfields at Cary	97
Hillside Nursing Center of Wake Forest	20
Lawndale Manor	62
Lee's Long Term Care Facility (Transferred 65 beds to Waltonwood Silverton)	0
Litchford Falls Healthcare and Rehabilitation Center (Transfer 31 beds from Universal Health Center – Fuquay - Varina and 20 beds from Universal Health Center -North Raleigh)	75
Magnolia Glen	56
Mayview Assisted Living Center (Transfer 20 beds from Wellington Rehabilitation and Healthcare (NH0544) and 55 beds from Brookridge Assisted Living)	75
Morning Side of Raleigh	110
Oliver House (Facility closed)	100
Phoenix Assisted Care	120
Spring Arbor of Apex	76
Spring Arbor of Cary	80
Spring Arbor of Raleigh	80
Sunrise at North Hills	160
Sunrise of Cary	85
Sunrise of Raleigh	100
TerraBella Northridge	161
The Addison of Fuquay – Varina (Beds awarded per settlement agreement from 2000 & 2007)	96
The Addison of Knightdale (Beds awarded per settlement agreement from 2000 & 2007)	96
The Covington	120
The Laurels of Forest Glenn	20
The Reserve at Mills Farm	35

Universal Health Care Fuquay – Varina (Transfer 31 beds to Litchford Falls)	0
Universal Health Care – North Raleigh (Transfer 20 beds to Litchford Falls)	0
Wake Assisted Living	60
Waltonwood Cary Parkway (Transfer 9 beds to Waltonwood Silverton)	76
Waltonwood Lake Boone	68
Waltonwood Silverton (Transfer 65 beds from Lee’s Long Term Care Facility and 9 beds from Waltonwood Cary Parkway)	74
Wellington Rehabilitation and Healthcare (Transfer 20 beds to Mayview Assisted Living)	0
Woodland Terrance	84
Zebulon House	60

In Section G, page 84, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved adult care home services in Wake County. The applicant states:

*“...the applicant proposes to relocate beds already included in the Wake County Inventory...”*

*...the project proposed in this application will not add beds to the total inventory of ACH beds in Wake County but will merely relocate and bring back into operation bed inventory already approved and ‘counted’ in the State Medical Facilities Plan for Wake County*

...

*No ‘new beds’ will be developed as part of this proposed project and thus the beds that will be included in the proposed facility will not be additional beds in the County’s inventory.”*

However, the applicant does not adequately demonstrate 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 did not adequately demonstrate the extent to which all residents of the area, and in particular, underserved groups are likely to have access to the services proposed. The discussion regarding analysis of need, including access to the proposed services by underserved groups, found in Criteria (3) is incorporated herein by reference.
- The applicant is not conforming to all statutory and regulatory review criteria; thus it cannot demonstrate that its proposal is needed in addition to the existing and approved ACH beds in the Wake County service area.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Remarks made at the public hearing
- Information publicly available during the review process 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 to develop a new ACH facility by relocating no more than 100 ACH beds from Oliver House, which has no residents, including a 30 bed SCU upon project completion.

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

POSITION	PROJECTED STAFF 1 <sup>ST</sup> FULL FY	PROJECTED STAFF 2 <sup>ND</sup> FULL FY	PROJECTED STAFF 3 <sup>RD</sup> FULL FY
Licensed Practical Nurses	2	2	2
Certified Nurse Aides/Nursing Assistants	37	57	60
Director of Nursing	1	1	1
Cooks	7	7	7
Activities Director	2	2	2
Housekeeping	4	6	6
Maintenance /Engineering	3	3	3
Administrator/CEO	1	1	1
Business Office	1	1	1
Clerical	8	8	8
<b>Total</b>	<b>66</b>	<b>88</b>	<b>91</b>

The assumptions and methodology used to project staffing are provided in 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 85-86, the applicant describes the methods to be used to recruit or fill new positions and its proposed 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 the assumptions and methodology used to project staffing.
- The applicant provides the methods to be used to recruit or fill new positions and proposed training and continuing education programs.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Remarks made at the public hearing

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

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

### **C**

The applicant proposes to develop a new ACH facility by relocating no more than 100 ACH beds from Oliver House, which has no residents, including a 30 bed SCU upon project completion.

### **Ancillary and Support Services**

In Section I, page 87, the applicant identifies the necessary ancillary and support services for the proposed services. On pages 87-88, the applicant explains how each ancillary and support service is or 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 because the applicant identifies the necessary ancillary and support services needed which will support the ACH services as they have in the applicant's other ACH services in the county.

### **Coordination**

In Section I, page 88, the applicant describes its efforts to develop relationships with other local health care and social service providers and provides supporting documentation in Exhibit C.4. The applicant adequately demonstrates that the proposed services will be

coordinated with the existing health care system because the applicant received support letters from BAYADA Home Health Care and other area businesses and pharmacies for the project which show an intent to coordinate services.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Remarks made at the public hearing

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.

- (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) Repealed effective July 1, 1987.

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

C

The applicant proposes to develop a new ACH facility by relocating no more than 100 ACH beds from Oliver House, which has no residents, including a 30 bed SCU upon project completion.

In Section K, page 91, the applicant states that the project involves constructing 122,108 square feet of new space. Line drawings are provided in Exhibit K.1.

On page 94, the applicant identifies the proposed site and provides information about the current owner, zoning for the site, and the availability of water, sewer, waste disposal, and power at the site. Supporting documentation is provided in Exhibit K.4. The site appears to be suitable for the proposed ACH facility based on the applicant's representations and supporting documentation.

On pages 91-92, 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 provides a letter from a licensed architect confirming construction plans and estimated costs in Exhibit F.1.
- The applicant states that the facility is planned to meet the requirements of the North Carolina State Building Code for new construction and the applicable rules of the North Carolina Division of Environmental Health.
- The applicant states that in addition to meeting all applicable building codes and licensure regulations for adult care homes, the proposed facility will include a 30 – bed Special Care Unit that meets all applicable building requirements.

On pages 92-93, 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 Oliver House is not operational; the project proposed in this application will effectively bring back “online” the beds in the inventory which are currently not providing patient care services.
- The applicant states that it will rely on its years of experience to negotiate and manage the construction of the proposed facility in a timely and cost-efficient manner.

In Section K, page 93, the applicant identifies applicable energy saving features and water conservation measures that will be incorporated into the construction plans and provides supporting documentation in Exhibit F.1 and K-1.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Remarks made at the public hearing

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;

NA

Waltonwood Wake is not an existing facility; thus it has no historical data to report. Therefore, Criterion (13a) is not applicable to this review.

- (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;

NA

Waltonwood Wake is not an existing facility. Therefore, Criterion (13b) is not applicable to this review.

- (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

NC

In Section L, page 99, 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>PAYOR CATEGORY</b>	<b>PERCENTAGE OF TOTAL PATIENTS SERVED</b>
Self-Pay	100.0%
<b>Total</b>	<b>100.0%</b>

As shown in the table above, during the third full fiscal year of operation, the applicant projects that 100% of total services will be provided to self-pay patients. However, the applicant does not project to serve Medicaid recipients. Therefore, the applicant does not adequately demonstrate that medically underserved groups will be served by the proposed services and the extent to which they will be served.

On pages 99-100, the applicant provides the assumptions and methodology used to project payor mix during the third full fiscal year of operation following completion of the project. The projected payor mix is not reasonable and adequately supported because the applicant does not demonstrate that it will serve medically underserved groups, including Medicaid recipients.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Remarks made at the public hearing

Based on that review, the Agency concludes that the application is not conforming to this criterion for the reasons stated above.

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

C

In Section L, page 102, the applicant adequately describes the range of means by which patients will have access to proposed services.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Remarks made at the public hearing

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

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

### C

The applicant proposes to develop a new ACH facility by relocating no more than 100 ACH beds from Oliver House, which has no residents, including a 30-bed SCU upon project completion.

In Section M, page 104, the applicant describes the extent to which area 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 it will offer the facility as a clinical learning site for students in and around Wake County.
- The applicant states that while it remains open to expanding its outreach to additional programs, it has also contacted Wake Tech Community College to offer program access at the proposed facility.
- In Exhibit M-1, the applicant provides documentation of its effort to establish a relationship with Wake Tech with its area training program.

The Agency reviewed the:

- Application
- Exhibits to the application
- Remarks made at the public hearing

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

NC

The applicant proposes to develop a new ACH facility by relocating no more than 100 ACH beds from Oliver House, which has no residents, including a 30-bed SCU upon project completion.

On page 179, the 2024 SMFP defines the service area for ACH beds as “*the county in which the adult care home bed is located.*” The proposed ACH facility will be located in Wake County. Thus, the service area for this project is Wake County. Facilities may also serve residents of counties not included in their service area.

The applicant indicates that there are currently a total of 135 facilities in Wake County with licensed ACH beds. The table below is a summary of those facilities, from the 2024 SMFP, Chapter 11, Tables 11A and 11E, pages 204-206 and page 218, respectively.

<b>Wake County ACH Facilities</b>	<b>ACH Beds</b>
Brighton Gardens of Raleigh	115
Brookdale Cary	50
Brookdale MacArthur Park	80
Brookdale Wake Forest	70
Brookridge Assisted Living (Facility closed. Transfer 55 beds to Mayview Assisted Living Center)	0
Cadence at Wake Forest (Beds awarded per settlement agreement from 2000 & 2007)	96
Cadence Garner (Beds awarded per settlement agreement from 2000 & 2007)	84
Cadence North Raleigh (Beds awarded per settlement agreement from 2000 & 2007)	96
Chatham Commons	80
Coventry House of Zebulon	60
Falls River Court Memory Care Community	38
Falls River Village Assisted Living Community	60
Foundation Senior Living	126
Heartfields at Cary	97
Hillside Nursing Center of Wake Forest	20
Lawndale Manor	62
Lee's Long Term Care Facility (Transferred 65 beds to Waltonwood Silverton)	0
Litchford Falls Healthcare and Rehabilitation Center (Transfer 31 beds from Universal Health Center – Fuquay - Varina and 20 beds from Universal Health Center -North Raleigh)	75
Magnolia Glen	56
Mayview Assisted Living Center (Transfer 20 beds from Wellington Rehabilitation and Healthcare (NH0544) and 55 beds from Brookridge Assisted Living)	75
Morning Side of Raleigh	110
Oliver House (Facility closed)	100
Phoenix Assisted Care	120
Spring Arbor of Apex	76
Spring Arbor of Cary	80
Spring Arbor of Raleigh	80
Sunrise at North Hills	160
Sunrise of Cary	85
Sunrise of Raleigh	100
TerraBella Northridge	161
The Addison of Fuquay – Varina (Beds awarded per settlement agreement from 2000 & 2007)	96
The Addison of Knightdale (Beds awarded per settlement agreement from 2000 & 2007)	96
The Covington	120
The Laurels of Forest Glenn	20
The Reserve at Mills Farm	35



Universal Health Care Fuquay – Varina (Transfer 31 beds to Litchford Falls)	0
Universal Health Care – North Raleigh (Transfer 20 beds to Litchford Falls)	0
Wake Assisted Living	60
Waltonwood Cary Parkway (Transfer 9 beds to Waltonwood Silverton)	76
Waltonwood Lake Boone	68
Waltonwood Silverton (Transfer 65 beds from Lee’s Long Term Care Facility and 9 beds from Waltonwood Cary Parkway)	74
Wellington Rehabilitation and Healthcare (Transfer 20 beds to Mayview Assisted Living)	0
Woodland Terrance	84
Zebulon House	60

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 105, the applicant states:

*“The applicant will draw on its experience in offering 3- and 4- Star Rated ACH facilities in Wake County; the proposed services at Waltonwood Wake can be expected to have a positive impact on the cost – effectiveness, quality, and access to ACH services now available in the area.”*

Regarding the impact of the proposal on cost effectiveness, in Section N, page 105, the applicant states:

*“By relying on its proven ability to efficiently negotiate and manage facility construction projects, the applicant will cost-effectively develop ACH services at its newly built site.”*

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

Regarding the impact of the proposal on quality, in Section N, page 105, the applicant states:

*“The new Waltonwood Wake facility will positively impact competition by incentivizing area providers to offer quality care at competitive rates to attract new residents.”*

See also Section O of the application and any exhibits.

Regarding the impact of the proposal on access by medically underserved groups, in Section N, page 106, the applicant states:

*“The applicant will offer access to residents without regard to race, color, creed, age, ethnic or national origin, religion, gender, disability, or income status.”*

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

However, the applicant does not adequately describe the expected effects of the proposed services on competition in the area and does not adequately demonstrate the proposal would have a positive impact on cost-effectiveness, quality, and access. The applicant does not adequately demonstrate that medically underserved groups will have access to the proposed services because the applicant does not propose to provide its services to Medicaid recipients. The discussions regarding analysis of need, including access to services by medically underserved groups, and alternatives found in Criteria (3) and (4), respectively, are incorporated herein by reference. A project that cannot demonstrate the need for the services proposed and a project that cannot demonstrate it is the least costly or most effective alternative cannot demonstrate how any enhanced competition will have a positive impact on access for medically underserved groups.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Remarks made at the public hearing

Based on that review, the Agency concludes that the application is not conforming to this criterion for all the reasons described above.

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

### C

In Section Q, Form O Facilities, the applicant identifies the adult care homes located in North Carolina owned, operated or managed by the applicant or a related entity. The applicant identifies a total of four facilities of this type located in North Carolina.

In Section O, page 111, the applicant states that during the 18 months immediately preceding the submittal of the application, incidents related to quality of care occurred in one of these facilities.

According to the files in the Adult Care Licensure Section, DHSR, during the 18 months immediately preceding submission of the application through the date of this decision, incidents related to quality of care occurred in one of these facilities. The facility is back in compliance. After reviewing and considering information provided by the applicant and by the Adult Care Licensure Section and considering the quality of care provided at all four

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 100 existing licensed ACH beds, including 30 SCU beds, from Oliver House in Wake County to develop a new facility in Cary. The Criteria and Standards for Nursing Facility or Adult Care Home Services promulgated in 10A NCAC 14C.1100 are not applicable because they do not apply to a proposal to relocate existing licensed adult care home beds.