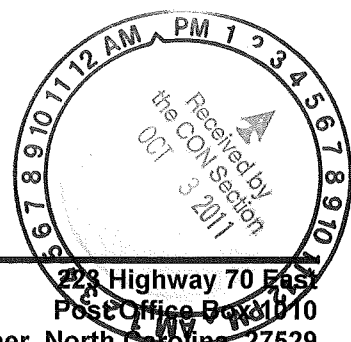


Britthaven, Inc.



229 Highway 70 East
Post Office Box 1010
Garner, North Carolina 27529
Telephone: 919-779-5095
Facsimile: 919-779-9587

October 3, 2011

Michael J. McKillip, Project Analyst
Certificate of Need Section
NC Division of Health Service Regulation
2704 Mail Service Center
Raleigh, NC 27699-2704

Dear Mr. McKillip:

On behalf of co-applicants Britthaven, Inc., Spruce LTC Group, LLC and Redwood LTC Group, LLC, please find attached comments regarding the competitive CON applications submitted in response to the need for 240 nursing facility beds in Wake County.

Per the Agency's request, these comments are objective in nature and they address each applicant's conformity to the specific statutory criteria and special rules relevant to this Johnston County review.

Thank you for your consideration of these remarks. Should you have any questions regarding these materials, please do not hesitate to contact me.

Sincerely,
BRITTHAVEN, INC.
SPRUCE LTC GROUP, LLC
REDWOOD LTC GROUP, LLC

Max Mason,
Development Coordinator

Enclosures

2011 WAKE COUNTY CERTIFICATE OF NEED APPLICATION REVIEW
240 SKILLED NURSING FACILITY BEDS
COMPETITOR COMMENTS

Submitted by:

Britthaven, Inc. | Spruce LTC Group, LLC | Redwood LTC Group, LLC

INTRODUCTION

Sixteen proposals were submitted seeking CON approval to develop the 240 NF beds allocated to Wake County in the 2011 State Medical Facilities Plan ("SMFP"). The total number of beds sought exceeds the 240 available beds; thus, not all applications can be approved.

North Carolina General Statute 131E-185 allows applicants for CON-regulated health service allocations to submit comments about their competitors' proposals. The parameters for these comments are as follows:

- a. Facts relating to the service area proposed in the application;*
- b. Facts relating to the representations made by the applicant in its application, and its ability to perform or fulfill the representation made;*
- c. Discussion and argument regarding whether, in light of the material contained in the application and other relevant factual material, the application complies with relevant review criteria (§131E-183), plans and standards.*

Consideration of extraneous information outside the scope of these guidelines is unwarranted and merely serves to shift the focus of this process away from determination of the proposal that will best meet the needs of Wake County. The following comments consider, within the scope of the cited statute, the most pertinent issues affecting this CON review and whether or not the various applicants' proposals effectively address these issues.

OVERVIEW

With sixteen applications proposing development of various different projects (i.e., new facilities, additions, different amounts of beds, different locations, etc.), it is a complex process to determine not only approvable proposals, but also the most effective. Given the quantity of applications, and particularly their many points of differentiation, it is possible to develop a list of non-conformities and comparative deficiencies. To a large extent, compiling such a list is counterproductive, as many perceived problems are not actually legitimate bases for disapproval. There are,

Wake Co. NF-Bed CON Review Comments

Submitted by: Britthaven, Inc. | Spruce LTC Group, LLC | Redwood LTC Group, LLC

however, several “big-picture” issues that uniquely impact this review. These issues include:

1. ***Accessibility to the Medically Underserved***
2. ***Cost of Operation***
3. ***Affordability of Services (Charges)***

These issues, addressed in varying degrees by the applicants in this review, are discussed in greater detail below.

1. **ACCESSIBILITY**

There are three CON Review Criteria that address the issue of “accessibility,” which refers to both 1) geographic proximity to services and 2) the ability of all individuals to receive care, regardless of payer source. The first of these criteria is Review Criterion (1), which relates to accessibility because of its incorporation of SMFP Policy GEN-3: Basic Principles, one of which deals with the promotion of “equitable access.” This reference is significant, as the Basic Principles define the entire purpose and intent of the State’s health planning process and CON rules/regulations. That one of these Principles deals with accessibility for individuals who rely on Medicaid funding speaks to the importance this issue has on any CON review.

Review Criterion (3) states the following:

*(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, handicapped persons, the elderly, and other **underserved** groups are likely to have access to the services proposed. [Emphasis added.]*

Also addressing accessibility to the medically underserved population is Review Criterion (13):

(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 handicapped persons, 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:

Wake Co. NF-Bed CON Review Comments

Submitted by: Britthaven, Inc. | Spruce LTC Group, LLC | Redwood LTC Group, LLC

- 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;*
- 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. *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*
- 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.*

The primary purpose of these criteria is to ensure that NF-bed services are **accessible** to **all** individuals in need, with a particular focus on people who typically are **underserved** and, thus, have greater difficulty securing quality, affordable care. Although the CON Section has included in its definition of **underserved** patients those who receive Medicaid and Medicare, only **Medicaid** patients truly can be considered underserved. In reality, Medicare patients are sought by NFs given the high reimbursement received for their care. **Ensuring effective access to the Medicaid population should be a hallmark of an approvable project.** All applicants in this review claim to conform to the Access Basic Principle and Review Criteria dealing with accessibility; however, there actually are multiple applicants that fail to present effect alternatives in this respect. The following table presents each applicant's proposed payer-mix in project Year 2:

Wake Co. NF-Bed CON Review Comments
Submitted by: Britthaven, Inc. | Spruce LTC Group, LLC | Redwood LTC Group, LLC

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q
Competing Applicant Comparison Worksheet																
Wake County																
2011 CON Review																
Applicants	Britthaven (St. Marys)	Britthaven (Brier Ck)	Pruitt	Pruitt	Pruitt	Hillcrest	MFNC	The Heritage	Universal (St. Mary's)	Liberty (Cedar Fork)	Liberty (House Creek)	BellaRose	Rehab & Nursing at Cary	Rehab & Nursing at Raleigh	Universal (Fuquay)	
1	NEW	NEW	EXISTING	NEW	NEW	NEW	NEW	NEW	NEW	NEW	NEW	NEW	NEW	NEW	EXISTING	
2	J-8715-11	J-8713-11	J-8719-11	J-8720-11	J-8722-11	J-8711-11	J-8712-11	J-8717-11	J-8714-11	J-8723-11	J-8727-11	J-8729-11	J-8730-11	J-8731-11	J-8721-11	
3	100	120	20	100	120	120	120	90	20	120	120	100	120	120	60	
4	Utilization/Payor Source (SECTION IV)															
5	Days of Care															
6	26,353	30,792	27,740	22,636	27,010	19,656	27,740	16,996	25,550	31,062	31,062	24,861	20,164	20,164	25,550	
7	6,241	7,490	19,345	7,288	9,125	10,192	10,950	6,135	10,585	7,201	7,201	5,870	10,220	10,220	6,570	
8	2,080	3,329	6,935	2,208	2,555	10,192	2,190	5,268	7,300	6,755	6,755	3,453	6,509	6,509	3,650	
9	0	0	5,940	2,908	3,285	0	2,262	2,262	2,555	0	0	345	2,920	2,920	1,095	
10	34,674	41,611	59,860	35,040	41,975	40,040	40,880	30,661	45,990	45,018	45,018	34,529	39,813	39,813	36,865	
11	% of Total Days															
12	76.0%	74.0%	46.3%	64.6%	64.3%	49.1%	67.9%	55.4%	55.6%	69.0%	69.0%	72.0%	50.6%	50.6%	69.3%	
13	18.0%	18.0%	32.3%	20.8%	21.7%	25.5%	26.8%	20.0%	23.0%	16.0%	16.0%	17.0%	25.7%	25.7%	17.8%	
14	6.0%	8.0%	11.6%	6.3%	6.1%	25.5%	5.4%	17.2%	15.9%	15.0%	15.0%	10.0%	16.3%	16.3%	9.9%	
15	0.0%	0.0%	9.8%	8.3%	7.8%	0.0%	0.0%	7.4%	5.6%	0.0%	0.0%	1.0%	7.3%	7.3%	3.0%	
16	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	

Wake Co. NF-Bed CON Review Comments

Submitted by: Britthaven, Inc. | Spruce LTC Group, LLC | Redwood LTC Group, LLC

As illustrated in these data, multiple providers project relatively few days of care to Medicaid patients. Several applicants cite as a basis for these low projections the current payer mix at existing Wake County NFs, as shown below.

Wake Co. NF-Bed CON Review Comments

Submitted by: Britthaven, Inc. | Spruce LTC Group, LLC | Redwood LTC Group, LLC

Wake County Nursing Facility Census & Payor Source, FY2010

FACNAME	Total Beds	Planning Inventory	Days Avail	NF Days	Occup. %	Medicaid	Caid %	Medicare	Care %	Other %
Blue Ridge Health Care Center	134	114	48,910	42,192	86.3%	19,071	45.2%	11,254	26.7%	28.1%
Capital Nursing and Rehab Center	125	125	45,625	38,441	84.3%	27,390	71.3%	3,019	7.9%	20.9%
Cary Health & Rehab Center	120	120	43,800	41,333	94.4%	27,663	66.9%	7,075	17.1%	16.0%
Tower Nursing & Rehab Center (f/k/a City of Oaks)*	180	180	65,700	46,306	70.5%	34,373	74.2%	6,591	14.2%	11.5%
Dan E. & Mary Louise Stewart Center	173	86	63,145	41,855	66.3%	0	0.0%	0	0.0%	100.0%
Glenaire, Inc.**	71	35	25,915	22,243	85.8%	3,660	16.5%	991	4.5%	79.1%
Guardian Care of Zebulon	60	60	21,900	20,717	94.6%	12,351	59.6%	5,012	24.2%	16.2%
Hillside Nursing Center	130	130	47,450	44,325	93.4%	32,491	73.3%	3,659	8.3%	18.4%
Litchford Falls Healthcare & Rehab	90	90	32,850	31,086	94.6%	22,419	72.1%	2,610	8.4%	19.5%
Mayview Convalescent Center**	139	69	50,735	44,607	87.9%	6,646	14.9%	3,389	7.6%	77.5%
Raleigh Rehab & HealthCare Center	157	157	57,305	55,559	97.0%	36,653	66.0%	10,432	18.8%	15.3%
Rex Rehab & Nursing Center of Raleigh	120	120	43,800	39,773	90.8%	17,829	44.8%	11,533	29.0%	26.2%
Rex Rehab & Nursing Care Center of Apex	107	107	39,055	33,165	84.9%	11,951	36.0%	7,853	23.7%	40.3%
Searstone/Samaritan**	16	8	License pending							
Sunnybrook Healthcare & Rehab Specialists	95	95	34,675	33,016	95.2%	16,165	49.0%	9,713	29.4%	21.6%
The Cardinal at North Hills Healthcare**	15	7	License pending							
The Cypress of Raleigh**	36	18	13,140	8,139	61.9%	0	0.0%	742	9.1%	90.9%
The Laurels of Forest Glenn	120	120	43,800	41,828	95.5%	29,175	69.7%	10,601	25.3%	4.9%
The Oaks of Carolina, LLC (UniHealth)	150	150	54,750	51,955	94.9%	20,084	38.7%	16,185	31.2%	30.2%
Universal Healthcare/North Raleigh	112	112	40,880	38,060	93.1%	21,602	56.8%	7,626	20.0%	23.2%
Universal Health Care - Fuquay Varina	49	49	Replacement facility under development.							
Wake Med Zebulon/Wendell	19	19	6,935	4,772	68.8%	1,276	26.7%	2,402	50.3%	22.9%
Wake Med Fuquay-Varina	36	36	13,140	10,492	79.8%	1,972	18.8%	5,991	57.1%	24.1%
Wellington Rehabilitation and Healthcare	80	80	29,200	27,156	93.0%	18,311	67.4%	4,066	15.0%	17.6%
Windsor Point CCRC**	45	22	16,425	11,946	72.7%	0	0.0%	1,089	9.1%	90.9%
Totals/Averages	2,379	2,109	839,135	728,966	86.9%	361,082	49.5%	131,833	18.1%	32.4%

* Tower Nursing & Rehab was approved to relocate 90 beds to Holly Springs Township

** CCRC

Source: 2011 License Renewal Applications

These data reflect NF-bed utilization by payer-source for all Wake County providers in FY2010. As the most recent payer-source data these data certainly are pertinent to consider, but interpreting low current Medicaid utilization as indicative of future need is incorrect. Nevertheless, some applicants indeed interpreted these data to mean that the need for Medicaid placement in Wake County NFs is relatively minor. This assumption, however, is erroneous. In fact, several other sources of data illustrate that there is considerable need for improved Medicaid access. Consider the following:

Wake Co. NF-Bed CON Review Comments

Submitted by: Britthaven, Inc. | Spruce LTC Group, LLC | Redwood LTC Group, LLC

Comparison of All Wake Co. NF Placements vs. Wake Co Medicaid NF Placements		
FY2010	In Facility + Admitted	Medicaid
Total Wake Co. Residents, All Facilities	8,148	2,126
Wake Co. Resident, Wake Co. Facility	7,183	1,777
<i>% Wake Co. Resident, Wake Co. Facility</i>	88.2%	83.6%
Wake Co. Resident, Non-Wake Co. Facility	965	349
<i>% Wake Co. Resident, Non-Wake Co. Facility</i>	11.8%	16.4%
Source: 2011 LRAs		

This table shows that 11.8% of all Wake County residents who received NF care in FY2010 did so in out-of-county facilities, whereas 16.4% of Wake County Medicaid patients were placed in out-of-county facilities. These data suggest that Medicaid patients may not have the same access to NF beds in Wake County as non-Medicaid patients.

To more accurately reflect the likely payer-source utilization for any of the proposed applicants in this review, however, it is useful to exclude from the above table CCRCs and hospital-affiliated providers. This analysis is warranted given that none of the applicants share the basic characteristics of either CCRCs or hospitals, both of which, as illustrated, have very low Medicaid utilization (most likely due to their focus on rehab and/or private pay patients). The following table excludes these two types of providers:

Wake Co. NF-Bed CON Review Comments

Submitted by: Britthaven, Inc. | Spruce LTC Group, LLC | Redwood LTC Group, LLC

Wake County Nursing Facility Census & Payor Source, FY2010

FACNAME	Total Beds	Planning Inventory	Days Avail	NF Days	Occup. %	Medicaid	Caid %	Medicare	Care %	Other %
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Guardian Care of Zebulon	60	60	21,900	20,717	94.6%	12,351	59.6%	5,012	24.2%	16.2%
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Litchford Falls Healthcare & Rehab	90	90	32,850	31,086	94.6%	22,419	72.1%	2,610	8.4%	19.5%
Raleigh Rehab & HealthCare Center	157	157	57,305	55,559	97.0%	36,653	66.0%	10,432	18.8%	15.3%
Sunnybrook Healthcare& Rehab Specialists	95	95	34,675	33,016	95.2%	16,165	49.0%	9,713	29.4%	21.6%
The Laurels of Forest Glenn	120	120	43,800	41,828	95.5%	29,175	69.7%	10,601	25.3%	4.9%
The Oaks of Carolina, LLC (UniHealth)	150	150	54,750	51,955	94.9%	20,084	38.7%	16,185	31.2%	30.2%
Universal Healthcare/North Raleigh	112	112	40,880	38,060	93.1%	21,602	56.8%	7,626	20.0%	23.2%
Wellington Rehabilitation and Healthcare	80	80	29,200	27,156	93.0%	18,311	67.4%	4,066	15.0%	17.6%
Totals/Averages	1553	1533	566,845	511,974	90.3%	317,748	62.1%	97,843	19.1%	18.8%

Source: 2011 License Renewal Applications

The payer-mix data changes ***significantly*** (and particularly with respect to Medicaid and private-pay patients) when the hospital-affiliated facilities and the CCRCs are removed from this analysis. Specifically, average Medicaid utilization shifts from 49.5% to 62.1% and private pay from 32.4% to 18.8%. It could be argued that even this higher Medicaid percentage understates actual Medicaid need, as several large existing traditional nursing facilities provide very low Medicaid days of care (these facilities include The Oaks of Carolina, Sunnybrook, and Blue Ridge Health Care Center).

In sum, these data show that a face-value analysis of Medicaid need in Wake County is misleading and that actual need for Medicaid accessibility is real and must be addressed by applicants for these new NF beds.

As additional support for the need to focus on Medicaid accessibility the CON Section should consider the responses to need-assessment surveys by healthcare and social service agencies in Wake County, many of which expressed a clear need for increased accessibility to NF beds for Medicaid patients. Entities providing feedback to Britthaven, Inc., Spruce LTC Group, and Redwood LTC Group include the following:

Wake Co. NF-Bed CON Review Comments

Submitted by: Britthaven, Inc. | Spruce LTC Group, LLC | Redwood LTC Group, LLC

Healthcare & Social Service Agencies Indicating NEED for Increased Medicaid Access
Wake County Human Services (DSS)
Resources for Seniors
Alzheimer's NC
Nutrition Plus
Heartland Home Care & Hospice
North State Medical Transport
ComforCare Home Care
Wake Assisted Living
Medi Home Health
Rekha Jain, M.D.

Simply meeting, or slightly exceeding, the present average of Wake County Medicaid days of care is not sufficient to address the future needs of this service area (particularly given that present need is itself likely unmet). Only applicants that have projected meaningful service to this population, and who can demonstrate an historic commitment to serving this population, should be approvable. Several applicants in this review, including Pruitt, Hillcrest, The Heritage, Rehab Nursing & Rehab/Cary and Rehab Nursing & Rehab/Raleigh, simply do not propose to adequately provide access to Wake County's Medicaid population. Additionally, applicants that indicate that they will provide a relatively high percentage of days of care to Medicaid patients should be considered in a larger context; that is, at least several applicants in this review are affiliated with chains that operate other facilities in North Carolina. The following Table shows payer-source utilization, by provider chain, for FY2010:

Wake Co. NF-Bed CON Review Comments

Submitted by: Britthaven, Inc. | Spruce LTC Group, LLC | Redwood LTC Group, LLC

North Carolina Nursing Facilities Analysis of Occupancy Year Ended September 30, 2010										
Provider	Avg Beds	Avg. Days Avail.	Avg. NF Days	M/Caid Days	M/Caid %	M/Care Days	M/Care %	Total Caid+Care	Other	Other %
Peak Average	106	38,812	34,271	26,826	78.3%	4,386	12.8%	91.1%	3,058	8.9%
Sun Average	116	42,294	37,747	28,856	76.4%	5,843	15.5%	91.9%	3,048	8.1%
Britthaven Average	129	47,044	40,368	30,527	75.6%	5,827	14.4%	90.1%	4,013	9.9%
White Oak Average	121	44,337	40,227	29,981	74.5%	3,582	8.9%	83.4%	6,664	16.6%
Avante Average	112	40,880	38,072	27,441	72.1%	6,898	18.1%	90.2%	3,732	9.8%
Triad Average	112	40,984	33,007	23,426	71.0%	4,092	12.4%	83.4%	5,489	16.6%
Autumn Average	103	37,500	33,662	23,833	70.8%	6,171	18.3%	89.1%	3,658	10.9%
Golden Average	127	46,181	40,990	28,664	69.9%	7,904	19.3%	89.2%	4,422	10.8%
Choice Average	100	36,656	32,253	22,444	69.6%	4,823	15.0%	84.5%	4,985	15.5%
Sava Average	117	42,659	37,261	25,847	69.4%	7,197	19.3%	88.7%	4,217	11.3%
Grand Total/Average	109	39,808	34,736	23,828	68.6%	6,366	18.3%	86.9%	4,542	13.1%
Liberty Average	108	39,291	31,304	21,356	68.2%	5,337	17.0%	85.3%	4,612	14.7%
Kindred Average	112	40,744	37,215	25,372	68.2%	8,267	22.2%	90.4%	3,576	9.6%
Grand Average	109	39,646	34,417	23,232	67.5%	5,990	17.4%	84.9%	5,194	15.1%
LaVie Average	85	31,132	27,944	18,149	64.9%	6,007	21.5%	86.4%	3,788	13.6%
Century Average	96	35,162	30,001	19,424	64.7%	6,756	22.5%	87.3%	3,821	12.7%
Lutheran Average	126	46,136	35,984	23,273	64.7%	5,639	15.7%	80.3%	7,072	19.7%
Other Average	103	37,722	32,498	20,430	62.9%	5,164	15.9%	78.8%	6,903	21.2%
Laurel Average	96	35,162	32,886	20,135	61.2%	9,110	27.7%	88.9%	3,641	11.1%
Pruitt Average	90	32,784	27,005	15,650	58.0%	6,649	24.6%	82.6%	4,706	17.4%
MFNC Average	112	41,042	37,611	21,690	57.7%	11,688	31.1%	88.7%	4,233	11.3%
Source: FY2010 Medicaid Cost Reports										
Note: These data do not include hospital-based NF days of care.										

2. COST OF OPERATIONS

The cost of providing all types of healthcare services should be (and is) a ***major concern*** given the generally rising cost-of-care and the sometimes inconclusive benefits of these expensive services. For these reasons, and given today's challenging economy, this issue of healthcare costs must be a central focus of CON applicants. Skilled nursing facilities are especially impacted by this issue given that government programs (Medicare and Medicaid) reimburse the majority of care provided. With Federal and State budget deficits mounting, reimbursement rates are already being reduced. Operators are (and will continue to be) required to provide quality care at lower costs. Specific evidence of the increasing need to control costs is as follows:

- Medicare Reimbursement has been reduced by 11.1%, effective October 1, 2011
- The direct and indirect portions of the North Carolina Medicaid rate were reduced 3.5%, effective July 1, 2011.
- The Federal Deficit "super committee" has been directed to downsize Federal expenditures even further. Absent an agreement, it is estimated that Medicare payments to providers will be decreased by an additional 2% (above the 11.1% already mentioned). Given the political climate, it seems unlikely there will be any agreement and that this "sequestration" will occur.
- Even with agreement in the "super committee," it seems likely that SNF reimbursement will still be targeted. For several years, CMS has been ignoring recommendations from MedPac to reduce SNF reimbursement. CMS has recognized that Medicare reimbursement to SNFs has essentially supplemented the much lower-reimbursing State Medicaid programs. With pressure to reduce Federal Deficits, this de facto subsidization may not continue. As rates decrease, and providers face further reductions, operators must be particularly cognizant of their costs.

As these actions reflect, the skilled nursing home industry is entering a new cycle. Over the past decade there has been a trend towards larger buildings, with more private rooms; however, there is increasing evidence that sustaining (and/or expanding upon) these practices may be unrealistic given the reimbursement realities facing the industry. Approvable applicants in CON reviews ***must*** take these realities into consideration.

Given that there is little or no ability to reduce staffing costs (since skilled nursing care is a human-intensive business that does not lend itself to automation), areas to control costs must be carefully considered. Operators will have to improve at controlling indirect expenses, which may require smaller buildings with an ***appropriate balance*** of

Wake Co. NF-Bed CON Review Comments

Submitted by: Britthaven, Inc. | Spruce LTC Group, LLC | Redwood LTC Group, LLC

private and semi-private rooms. This balance allows for lower property, ownership and use (“POU”) costs and also should reduce housekeeping and utility costs. In conjunction with effective energy-efficiency practices, there are ways to deliver a home-like environment in a cost-effective manner.

This discussion is relevant to this review on several levels. First, multiple applicants propose to develop extremely costly projects with unusually large physical plants. Please consider the following:

Wake Co. NF-Bed CON Review Comments
Submitted by: Britthaven, Inc. | Spruce LTC Group, LLC | Redwood LTC Group, LLC

A		B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q
Competing Applicant Comparison Worksheet																	
Wake County																	
2011 CON Review																	
Applicants	Britthaven (St. Marys)	Britthaven (Brier Ck)	Pruitt	Pruitt	Pruitt	Hillcrest	MFNC	The Heritage	Universal	Liberty (St. Mary's)	Liberty (Cedar Fork)	Liberty (House Creek)	BellaRose	Rehab & Nursing at Cary	Rehab & Nursing at Raleigh	Universal (Fuquay)	
	NEW	NEW	EXISTING	NEW	NEW	NEW	NEW	NEW	EXISTING	NEW	NEW	NEW	NEW	NEW	NEW	EXISTING	
1																	
2	Project ID#	J-8715-11	J-8713-11	J-8720-11	J-8722-11	J-8711-11	J-8712-11	J-8717-11	J-8714-11	J-8723-11	J-8728-11	J-8727-11	J-8729-11	J-8730-11	J-8731-11	J-8721-11	
3	Number of NEW NF Beds	100	120	20	120	120	120	90	20	120	120	120	100	120	120	60	
4	Private	44	40	16	72	104	40	78	20	66	66	66	46	40	40	48	
5	Semi-Private	56	80	4	48	16	80	12	0	64	64	64	54	80	80	12	
6	Existing NF Beds	0	0	150	0	0	0	0	0	10	10	10	0	0	0	49	
7	Number of ACH Beds	0	0	0	0	0	0	0	0	0	0	0	0	0	0	39	
8	TOTAL BEDS	100	120	170	120	120	120	90	20	130	130	130	100	120	120	148	
9	Capital Costs	\$9,586,489	\$11,360,686	\$2,173,393	\$9,713,726	\$10,604,159	\$13,650,000	\$20,961,007	\$1,490,200	\$14,719,180	\$13,850,714	\$15,667,836	\$8,534,150	\$10,933,149	\$11,335,022	\$3,541,100	
10	Total Square Feet	60,876	64,381	9,961	53,804	80,356	65,359	74,720	10,572	84,251	79,388	79,388	57,644	55,000	54,700	26,571	
11	Tot. Cost per S/F	\$157.48	\$176.46	\$218.19	\$180.54	\$177.29	\$203.68	\$203.68	\$140.96	\$174.71	\$174.47	\$197.36	\$148.05	\$198.78	\$135.00	\$133.27	
12	Tot. Cost/Bed	\$95,865	\$94,672	\$108,670	\$88,368	\$147,918	\$113,750	\$113,750	\$74,510	\$122,660	\$115,423	\$130,565	\$85,342	\$91,110	\$94,459	\$59,016	

Wake Co. NF-Bed CON Review Comments

Submitted by: Britthaven, Inc. | Spruce LTC Group, LLC | Redwood LTC Group, LLC

Given the current, and likely future, economic climate, it seems difficult to justify capital expenditures between approximately \$14,000,000 and \$21,000,000 when other alternatives exist that propose to implement the same, or a similar, number of beds, also in environmentally enhanced facilities, but for considerably less cost. Proposing such expensive projects seems out of touch with the realities facing the long term care industry.

The formal determination of “cost-effectiveness” is made by the CON Section with respect to CON Review Criterion (5), which states:

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

The following table presents a detailed account of each applicant’s proposed Year 2 costs, by Direct and Indirect cost-center:

Wake Co. NF-Bed CON Review Comments
Submitted by: Britthaven, Inc. | Spruce LTC Group, LLC | Redwood LTC Group, LLC

Competing Applicant Comparison Worksheet															
Wake County															
2011 CON Review															
Applicants	Britthaven (St. Marys)	Britthaven (Brier Ck)	Pruitt	Pruitt	Pruitt	Hilcrest	MRFC	The Heritage	Universal (St. Mary's)	Liberty (Cedar Fork)	Liberty (House Creek)	BellaRose	Rehab & Nursing at Cary	Rehab & Nursing at Raleigh	Universal (Fuquay)
Project ID#	J-8715-11	J-8713-11	J-8719-11	J-8720-11	J-8722-11	J-8711-11	J-8712-11	J-8717-11	J-8714-11	J-8723-11	J-8726-11	J-8727-11	J-8729-11	J-8731-11	J-8721-11
Number of NEW NF Beds	100	120	20	100	120	120	120	90	20	120	120	100	120	120	60
Per Dem. Cost Year 2 (FORM C)															
Total Facility															
Direct Costs															
Routine	\$101.20	\$99.63	\$118.78	\$101.47	\$105.01	\$90.64	\$87.03	\$95.88	\$99.54	\$111.10	\$111.10	\$102.86	\$97.59	\$97.59	\$91.88
Dietary	\$15.40	\$14.89	\$18.52	\$17.38	\$17.39	\$25.41	\$15.14	\$20.12	\$13.87	\$12.02	\$12.02	\$17.07	\$15.13	\$15.13	\$12.55
Social Services	\$1.21	\$1.01	\$0.93	\$1.63	\$1.36	\$2.47	\$1.62	\$1.75	\$2.49	\$2.19	\$2.19	\$1.64	\$2.57	\$2.57	\$1.32
Activities	\$2.14	\$2.55	\$2.37	\$1.98	\$2.97	\$1.86	\$1.85	\$4.38	\$2.29	\$1.81	\$1.81	\$2.37	\$4.75	\$4.75	\$1.84
Ancillaries	\$22.90	\$22.81	\$51.66	\$35.40	\$36.24	\$16.06	\$22.13	\$70.48	\$18.02	\$16.41	\$16.41	\$15.15	\$34.55	\$34.55	\$13.46
Total Direct	\$142.86	\$140.89	\$192.26	\$157.87	\$162.97	\$136.44	\$127.77	\$192.60	\$136.21	\$143.54	\$143.54	\$139.09	\$154.58	\$154.58	\$121.05
Indirect Costs															
Laundry and Linen	\$2.85	\$2.84	\$2.82	\$2.96	\$3.58	\$4.05	\$1.80	\$0.00	\$2.06	\$3.23	\$3.23	\$3.35	\$3.23	\$3.23	\$1.77
Housekeeping	\$4.50	\$4.55	\$12.37	\$8.56	\$9.11	\$7.63	\$5.60	\$7.54	\$4.60	\$6.02	\$6.02	\$6.00	\$5.42	\$5.42	\$15.65
POM	\$5.95	\$5.47	\$8.34	\$8.39	\$7.80	\$13.43	\$7.12	\$10.45	\$6.67	\$3.56	\$3.56	\$8.68	\$7.79	\$7.79	\$5.92
General & Admin	\$33.20	\$32.51	\$35.58	\$34.46	\$33.48	\$25.57	\$39.63	\$54.89	\$27.84	\$35.28	\$35.27	\$23.55	\$50.06	\$50.06	\$25.17
POU	\$16.52	\$16.51	\$22.22	\$22.40	\$20.89	\$46.19	\$32.78	\$31.99	\$12.17	\$11.57	\$11.49	\$17.07	\$15.53	\$15.75	\$13.95
Total Indirect	\$65.02	\$61.88	\$91.34	\$76.77	\$74.87	\$96.87	\$86.92	\$104.87	\$53.35	\$59.65	\$59.27	\$58.65	\$82.04	\$82.25	\$62.46
Reimbursable	\$205.89	\$202.77	\$273.60	\$234.64	\$237.84	\$233.31	\$214.68	\$297.48	\$189.56	\$203.19	\$202.80	\$197.74	\$236.62	\$236.84	\$183.51
Non-Reimbursable	\$6.74	\$6.74	\$0.00	\$0.00	\$0.00	\$20.32	\$10.01	\$0.00	\$12.54	\$2.54	\$2.54	\$0.26	\$0.26	\$0.26	\$7.34
Total Operating	\$212.63	\$209.51	\$273.60	\$234.64	\$237.84	\$253.63	\$224.70	\$297.48	\$202.10	\$205.73	\$205.34	\$200.04	\$236.88	\$237.10	\$190.85
Total NF Ancillaries	\$22.90	\$22.81	\$51.66	\$35.40	\$36.24	\$16.06	\$22.13	\$70.48	\$18.02	\$16.41	\$16.41	\$15.15	\$34.55	\$34.55	\$13.46
Direct - Ancillaries	\$119.96	\$118.08	\$140.61	\$122.47	\$126.73	\$120.38	\$105.63	\$122.13	\$118.19	\$127.13	\$127.13	\$123.94	\$120.03	\$120.03	\$107.58
Direct - Ancillaries + Indirect	\$182.96	\$179.96	\$221.95	\$199.24	\$201.60	\$217.25	\$192.55	\$227.00	\$171.53	\$186.76	\$186.70	\$182.59	\$202.07	\$202.28	\$170.04

Wake Co. NF-Bed CON Review Comments

Submitted by: Britthaven, Inc. | Spruce LTC Group, LLC | Redwood LTC Group, LLC

Typically, the CON Section specifically assesses an applicant's cost-effectiveness by considering the following two measures:

1. Proposed DIRECT (LESS ANCILLARY) operating cost per patient day, and
2. Proposed DIRECT (LESS ANCILLARY) PLUS INDIRECT COST per patient day

The following table calculates these two costs in Column A, Rows 21 and 23, respectively. Column B provides the average for all costs for all applicants in the table above. Columns C through I identify those applicants whose Direct – Ancillaries + Indirect Costs exceed the calculated applicant-average.

	A	B	C	D	E	F	G	H	I
Per Diem Cost Year 2 (FORM C)									
Total Facility									
	Average All Applicants	Pruitt	Pruitt	Pruitt	Hillcrest	The Heritage	Rehab & Nursing at Cary	Rehab & Nursing at Raleigh	
		EXISTING	NEW	NEW	NEW	NEW	NEW	NEW	
		J-8719-11	J-8720-11	J-8722-11	J-8711-11	J-8717-11	J-8730-11	J-8731-11	
		20	100	120	120	90	120	120	
1	Direct Costs								
2	Routine	\$101.40	\$118.78	\$101.47	\$105.01	\$90.64	\$95.88	\$97.59	\$97.59
3	Dietary	\$15.88	\$18.52	\$17.38	\$17.39	\$25.41	\$20.12	\$15.13	\$15.13
4	Social Services	\$1.82	\$0.93	\$1.63	\$1.36	\$2.47	\$1.75	\$2.57	\$2.57
5	Activities	\$2.60	\$2.37	\$1.98	\$2.97	\$1.86	\$4.38	\$4.75	\$4.75
6	Ancillaries	\$27.67	\$51.66	\$35.40	\$36.24	\$16.06	\$70.48	\$34.55	\$34.55
7	Total Direct	\$149.36	\$192.26	\$157.87	\$162.97	\$136.44	\$192.60	\$154.58	\$154.58
8	Indirect Costs								
9	Laundry and Linen	\$2.77	\$2.82	\$2.96	\$3.58	\$4.05	\$0.00	\$3.23	\$3.23
10	Housekeeping	\$7.19	\$12.37	\$8.56	\$9.11	\$7.63	\$7.54	\$5.42	\$5.42
11	POM	\$7.15	\$8.34	\$8.39	\$7.80	\$13.43	\$10.45	\$7.79	\$7.79
12	General & Admin	\$35.74	\$35.58	\$34.46	\$33.48	\$25.57	\$54.89	\$50.06	\$50.06
13	POU	\$19.89	\$22.22	\$22.40	\$20.89	\$46.19	\$31.99	\$15.53	\$15.75
14	Total Indirect	\$72.74	\$81.34	\$76.77	\$74.87	\$96.87	\$104.87	\$82.04	\$82.25
15	Reimbursable	\$222.10	\$273.60	\$234.64	\$237.84	\$233.31	\$297.48	\$236.62	\$236.84
16	Non-Reimbursable	\$4.63	\$0.00	\$0.00	\$0.00	\$20.32	\$0.00	\$0.26	\$0.26
17	Total Operating	\$226.73	\$273.60	\$234.64	\$237.84	\$253.63	\$297.48	\$236.88	\$237.10
18									
19	Total NF Ancillaries	\$27.67	\$51.66	\$35.40	\$36.24	\$16.06	\$70.48	\$34.55	\$34.55
20									
21	Direct - Ancillaries	\$121.70	\$140.61	\$122.47	\$126.73	\$120.38	\$122.13	\$120.03	\$120.03
22									
23	Direct - Ancillaries + Indirect	\$194.43	\$221.95	\$199.24	\$201.60	\$217.25	\$227.00	\$202.07	\$202.28

As shown, all three of Pruitt's applications, the Hillcrest application, The Heritage application, the Rehab & Nursing at Cary application, and the Rehab & Nursing at Raleigh application all have Direct – Ancillaries + Indirect Costs that exceed the applicant average. Several of these applicants have costs that greatly exceed the overall average.

3. **CHARGES**

An applicant's proposed **CHARGES**, and particularly private-pay rates, are also reviewed for conformity to Review Criterion 5. A wide range of proposed charges is seen among the proposals in this review, as shown in the following table:

Wake Co. NF-Bed CON Review Comments
Submitted by: Britthaven, Inc. | Spruce LTC Group, LLC | Redwood LTC Group, LLC

Competing Applicant Comparison Worksheet
Wake County
2011 CON Review

Applicants	Britthaven (St. Marys)	Britthaven (Brier Ck)	Pruitt	Pruitt	Pruitt	Hilcrest	MFNC	The Heritage	Universal	Liberty (St. Mary's)	Liberty (Cedar Fork)	Liberty (House Creek)	BellaRose	Rehab & Nursing at Cary	Rehab & Nursing at Raleigh	Universal (Fuquay)
Project ID#	NEW J-8715-11	NEW J-8713-11	EXISTING J-8719-11	NEW J-8720-11	NEW J-8722-11	NEW J-8711-11	NEW J-8712-11	NEW J-8717-11	EXISTING J-8714-11	NEW J-8723-11	NEW J-8726-11	NEW J-8727-11	NEW J-8729-11	NEW J-8730-11	NEW J-8731-11	EXISTING J-8721-11
Number of NEW NF Beds	100	120	20	100	120	120	120	90	20	120	120	120	100	120	120	60
Rates/Charges (SECTION X)																
Medicaid Private Room	\$159.39	\$159.39	\$159.56	\$159.41	\$159.41	\$145.40	\$156.79	\$145.40	\$155.97	\$159.39	\$159.39	\$159.39	\$158.64	\$163.32	\$163.32	\$159.15
Semi-Private Room	\$159.39	\$159.39	\$159.56	\$159.41	\$159.41	\$145.40	\$156.79	\$145.40	\$155.97	\$159.39	\$159.39	\$159.39	\$158.64	\$163.32	\$163.32	\$159.15
Medicare Private Room	\$462.00	\$462.00	\$458.11	\$458.12	\$458.12	\$427.09	\$420.00	\$448.73	\$392.84	\$444.65	\$444.65	\$444.65	\$432.00	\$442.13	\$442.13	\$375.00
Semi-Private Room	\$462.00	\$462.00	\$458.11	\$458.12	\$458.12	\$427.09	\$420.00	\$448.73	\$392.84	\$444.65	\$444.65	\$444.65	\$456.00	\$442.13	\$442.13	\$375.00
Private Pay Private Room	\$198.00	\$198.00	\$253.61	\$188.00	\$188.00	\$311.00	\$255.00	\$244.33	\$180.00	\$190.00	\$190.00	\$190.00	\$196.00	\$240.00	\$240.00	\$190.00
Semi-Private Room	\$188.00	\$188.00	\$216.07	\$179.00	\$179.00		\$230.00	\$221.13	\$165.00	\$170.00	\$170.00	\$170.00	\$186.00	\$205.00	\$205.00	\$180.00

Wake Co. NF-Bed CON Review Comments

Submitted by: Britthaven, Inc. | Spruce LTC Group, LLC | Redwood LTC Group, LLC

The following data has been excerpted from the table above:

	A	B	C	D	E	F	G	H
Rates/Charges (SECTION X)								
Total Facility								
	Average All Applicants	Pruitt	Hillcrest	MFNC	The Heritage	Rehab & Nursing at Cary	Rehab & Nursing at Raleigh	
		EXISTING	NEW	NEW	NEW	NEW	NEW	
		J-8719-11	J-8711-11	J-8712-11	J-8717-11	J-8730-11	J-8731-11	
		20	120	120	90	120	120	
1	Private Pay							
2	Private Room	\$215.75	\$253.61	\$311.00	\$255.00	\$244.33	\$240.00	\$240.00
3	Semi-Private Room	\$190.15	\$216.07		\$230.00	\$221.13	\$205.00	\$205.00

As illustrated, several applicants have projected charges that are substantially higher than the average of all applicants in this review. Although these high rates apply specifically to Private Pay patients, they still serve to exclude some portion of the population seeking NF care. At a minimum, these applicants are not the most effective alternatives with respect to CON Review Criterion 5, but also may not be conforming to the “Access” Review Criteria (1, 3 and 13).

CONCLUSION

While there are multiple bases for comparison amongst applicants in this (and any) CON Review, each review is unique and hinges on issues that relate to the specific county/service-area in question. As the preceding discussion illustrates, multiple applicants in this review fail to optimally address the most critical issues—Accessibility to the Medically Underserved and the Cost of Operation and Affordability of Services—facing Wake County’s long-term skilled nursing facility population. While Wake County currently has multiple existing NF providers that serve the higher-reimbursing Medicare and Private Pay patients, an accessibility gap for the Medicaid population clearly exists. This gap must be closed. Additionally, as the economics of healthcare are changing, and, particularly, the reimbursement of providers by government programs shifts toward lower rates, operators must become even more cognizant of cost-control. There is a wide range of costs proposed by the applicants in this review. Those providers that can deliver quality services at affordable rates for comparatively lower costs represent more effective alternatives in this review.

ADDITIONAL COMMENTS

The following section of these comments consists of additional information specifically pertaining to several of the applications under review. The issues raised below discuss potential non-conformities or, at a minimum, comparative disadvantages that may render the applications un-approvable. These additional comments should not be interpreted to represent all issues/aspects of potential non-conformity identified by Britthaven, Spruce, and Redwood; rather, this discussion is offered regarding select elements of the various proposals that may have a substantive impact on the Agency's Findings. It is noted that a proposed CON project must be evaluated by the Project Analyst based on established Review Criteria; however, the analyst also must assess whether an applicant's claims are reasonable (e.g., proposed staffing ratios). Unsubstantiated claims made to gain competitive/comparative advantage should be carefully considered, thus ensuring that approval is based on realistic, supportable projections.

J-8729-11 | Bella Rose

SMFP Policy GEN-4: ENERGY Efficiency & Sustainability

BellaRose does not identify SMFP Policy GEN-4 as applicable to its application. In Section III, which asks the applicant to “describe how the project is consistent with the applicable policies in the State Medical Facilities Plan,” BellaRose identifies various Policies; however, there is no discussion of the applicability of Policy GEN-4 to its proposal. Based on a review of the policy, which states, in part, that:

“[A]ny person proposing a capital expenditure greater than \$2 million to develop, replace, renovate or add to a health service facility pursuant to G.S. 131E-178 s hall include in its certificate of need application a written statement describing the projects plan to assure improved energy efficiency and water conservation.”

Section III or Section XI of the CON application form would be the location an applicant would describe its “energy efficiency and water conservation” plan. Neither of these Sections references Policy GEN:4. Likewise, BellaRose’s appendices do not appear to contain a statement that would satisfy this new SMFP/CON requirement. The absence of this statement, and any specific discussion of energy efficiency/water conservation practices/techniques likely renders this proposal non-approvable.

Community Support

The ownership of this applicant is affiliated with two other existing NFs in Wake County (Hillside Nursing Center of Wake Forest and Windsor Point CCRC in Fuquay Varina); thus, they have experience in this service area. Presumably, the applicants have multiple contacts throughout the Wake County community. Some evidence of these relationships is evident in the CON proposal; however, it is worth noting that, from a comparative perspective, the applicants have provided fairly limited indication of feedback and input from healthcare and social service providers in Wake County.

The evaluation of this aspect of a CON application—community support/feedback—certainly is subjective; however, in a competitive review such as this, some value should be given to the quantity and substance of written documentation provided. For instance, Bella Rose has included a total of seven (7) letters, all from ancillary service providers. These letters are all very similar, if not identical in some cases. Similarly, only five (5) completed Need-Assessment survey responses are included. Although there are copies of letters sent FROM the Applicant to various entities, the quantity of responses appears minimal. In a competitive review, some weight should be given to the substance of feedback from community stakeholders.

Wake Co. NF-Bed CON Review Comments

Submitted by: Britthaven, Inc. | Spruce LTC Group, LLC | Redwood LTC Group, LLC

J-8721-11 | Universal/Fuquay-Varina

This project proposes the addition of 60 beds to a previously approved, but presently undeveloped, replacement nursing facility located in Fuquay-Varina, Middle Creek Township. However, as the following Table shows, there is little basis, if any, for determining that Middle Creek Township is in need of additional NF beds:

2014 NF-Bed Need Totals & Individual Wake Co. Township Surplus/Deficit							
	Under 65	65-74	75-84	85+	Total Bed-Need	Existing NF Beds	Surplus/Deficit
Bartons Creek	12	15	18	17	62	0	-62
Buckhorn	2	2	3	2	9	0	-9
Cary	41	43	74	108	266	163	-103
Cedar Fork	24	18	24	26	92	0	-92
Holly Springs	20	15	16	17	68	90	22
House Creek	32	37	74	139	282	104	-178
Leesville	25	20	24	21	90	0	-90
Little River	7	8	14	17	46	79	33
Marks Creek	12	11	17	17	57	0	-57
Meredith	8	9	21	48	86	234	148
Middle Creek	26	25	35	48	134	107	-27
Neuse	44	36	57	75	211	202	-9
New Light	4	4	5	4	18	0	-18
Panther Branch	14	14	15	16	59	0	-59
Raleigh	68	54	99	182	402	453	51
St. Mary's	34	31	58	77	200	120	-80
St. Matthew's	39	31	50	64	184	170	-14
Swift Creek	30	26	36	36	127	150	23
Wake Forest	39	34	46	60	179	130	-49
White Oak	45	27	37	53	162	107	-55
Wake Co.	525	461	722	1027	2734	2109	-625
Wake Co. (per 2011)	544	438	653	982	2617	2349	-268

Source: 2010 US Census, advanced forward using Claritas CAGRs

As shown, the projected NF-bed deficit in Middle Creek Township is just 27 beds, which ranks as only the eleventh largest in the County. Furthermore, as shown in the blue high-lighted square above, Holly Springs Township will be receiving a new 90-bed facility. Holly Springs Township is contiguous to Middle Creek Township, thus, some of the additional need could be met by that facility.

Section III—Identification of Need

In general, the applicant's bases for determining NF-bed need are questionable. Specifically, the applicant does not address the fact that there are areas in Wake County with considerably greater projected NF-bed deficits than Middle Creek. Furthermore, the applicant does not address the fact that a new 90-bed NF was approved for development in Holly Springs Township, which likely will serve some of the need in Middle Creek

Wake Co. NF-Bed CON Review Comments

Submitted by: Britthaven, Inc. | Spruce LTC Group, LLC | Redwood LTC Group, LLC

Township. Under the circumstances, the validity of the applicant's need analysis is very questionable.

SMFP Policy GEN-4: ENERGY Efficiency & Sustainability

Universal does not describe how this project will address the requirements of this Policy in Section III or Section XI, nor is there apparently a statement included in the applicants' Appendices.

Wake Co. NF-Bed CON Review Comments

Submitted by: Britthaven, Inc. | Spruce LTC Group, LLC | Redwood LTC Group, LLC

J-8711-11 | Hillcrest Convalescent Center

As reflected below, the applicant proposes to provide only 49.1% of its days of care to Medicaid patients, which is the lowest of any applicant in this review and which is lower than the Wake County average.

	A	B	C
Competing Applicant Comparison Worksheet			
Wake County			
2011 CON Review			
	Applicants	Hillcrest	Hillcrest
1		NEW	DURHAM CO. FACILITY
2	Project ID#	J-8711-11	FY 2010*
3	Number of NEW NF Beds	120	
4	Utilization/Payor Source (SECTION IV)		
5	Days of Care		
6	Medicaid	19,656	3,442
7	Medicare	10,192	9,073
8	Private	10,192	14,424
9	Other	0	0
10	Total	40,040	26,939
11	% of Total Days		
12	Medicaid	49.1%	12.8%
13	Medicare	25.5%	33.7%
14	Private	25.5%	53.5%
15	Other	0.0%	0.0%
16	Total	100%	100%
* Source: 2010 LRA Database			

These data also show that the applicant's affiliated facility in Durham County provided only 12.8% of its days of care to Medicaid patients in FY2010, which is extremely low.

Costs

The projected Cost of Services, which is reported in the Pro Forma Section of the CON application (on Form B and Form C) do not correspond. Specifically, for Total DIRECT Cost of Services, the following totals are reported:

\$5,374,793 (Form B)

\$5,462,878 (Form C)

This is a difference of \$88,085.

For Total INDIRECT Cost of Services, the following costs are reported:

Wake Co. NF-Bed CON Review Comments

Submitted by: Britthaven, Inc. | Spruce LTC Group, LLC | Redwood LTC Group, LLC

\$3,899,057 (Form B)

\$3,878,698 (Form C)

This is a difference of \$20,359. Since there is no apparent explanation for these differences, one must question the validity of these projections. Furthermore, since there is no way to verify which cost projections are correct, it is impossible to conclude whether or not the proposed project is financially feasible.

Wake Co. NF-Bed CON Review Comments

Submitted by: Britthaven, Inc. | Spruce LTC Group, LLC | Redwood LTC Group, LLC

J-8712-11 | MFNC/Wake County Health & Rehabilitation

Accessibility

The applicant's proposed payer mix is not the most effective alternative given the need in Wake County for expanded access to Medicaid beds. Consider the following:

	A	B	C
Competing Applicant Comparison Worksheet			
Wake County			
2011 CON Review			
	Applicants	MFNC	MFNC
1		NEW	MFNC
2	Project ID#	J-8712-11	Existing NC Facility
3	Number of NEW NF Beds	120	FY 2010 Days of Care Average
4	Utilization/Payor Source (SECTION IV)		
5	Days of Care		
6	Medicaid	27,740	21,690
7	Medicare	10,950	11,688
8	Private	2,190	
9	Other		4,233
10	Total	40,880	37,611
11	% of Total Days		
12	Medicaid	67.9%	57.7%
13	Medicare	26.8%	31.1%
14	Private	5.4%	
15	Other	0.0%	11.3%
16	Total	100%	100%

Furthermore, as the table indicates, Cost Report data for MFNC for FY 2010 suggests that the applicants tend to focus on providing Medicare services, as opposed to Medicaid. Under these circumstances, it may be the case that the applicants' Medicaid projections in this proposal are overstated. The following data, extracted from the 2010 Nursing Home Database (data for the 2011 License Renewal Applications), further corroborates the information above:

Wake Co. NF-Bed CON Review Comments

Submitted by: Britthaven, Inc. | Spruce LTC Group, LLC | Redwood LTC Group, LLC

MFNC, Inc. North Carolina Facilities										
Days of Care by Payer Source										
Name	Location	Medicare Days	Medicaid Days	Private Days	Other Days	Total Days	% Medicare	% Medicaid	% Private	% Other
Alamance Health Care Center	Alamance	6401	41586	4038	9833	61858	10.35%	67.23%	6.53%	15.90%
Carolina Rehab Center of Burke	Burke	12803	9300	2411	3837	28351	45.16%	32.80%	8.50%	13.53%
Guilford Health Care Center	Guilford	8077	20020	473	8581	37151	21.74%	53.89%	1.27%	23.10%
Charlotte Health Care Center	Mecklenburg	8509	23118	2456	3916	37999	22.39%	60.84%	6.46%	10.31%
Mecklenburg Health Care Center	Mecklenburg	8323	15969	2830	5203	32325	25.75%	49.40%	8.75%	16.10%
Lexington Health Care Center	Davidson	5387	19579	1909	4209	31084	17.33%	62.99%	6.14%	13.54%
Belaire Health Care Center	Gaston	9504	13738	865	2700	26807	35.45%	51.25%	3.23%	10.07%
Carolina Rehab Center of Cumberland	Cumberland	11044	27463	1748	6872	47127	23.43%	58.27%	3.71%	14.58%
Totals		70048	170773	16730	45151	302702	23.14%	56.42%	5.53%	14.92%

Source: FY 2010 Nursing Home License Renewal Database (2011 License Renewal Application Data)

Site Information

The size of the applicants' primary site, 5.82 acres, likely is insufficient to accommodate the proposed 65,359 square foot facility.

Wake Co. NF-Bed CON Review Comments

Submitted by: Britthaven, Inc. | Spruce LTC Group, LLC | Redwood LTC Group, LLC

J-8719-11, J-8720-11 and J-8722-11 | UHS-Pruitt

UHS-Pruitt has submitted three CON applications in this review. One of these proposals, J-8719-11, is for the addition of 20 beds to an existing facility in Raleigh, Swift Creek Township. The other two proposals, J-8720-11 and J-8722-11, propose the development of new facilities, 100 beds and 120 beds in Cedar Fork Township. The following comments pertain specifically to UHS-Pruitt's proposed NEW facilities.

Accessibility

It has been discussed throughout this document that there is an indisputable need to increase the number of days of care provided to Medicaid recipients. UHS-Pruitt projects the following days of care by payer source:

	A	B	C	D	E
Competing Applicant Comparison Worksheet					
Wake County					
2011 CON Review					
	Applicants	Pruitt	Pruitt	Pruitt	Pruitt
1		NEW	NEW	EXISTING	FY 2010
2	Project ID#	J-8720-11	J-8722-11	J-8719-11	LRA
3	Number of NEW NF Beds	100	120	20	Database
4	Utilization/Payor Source (SECTION IV)				
5	Days of Care				
6	Medicaid	22,636	27,010	27,740	20,084
7	Medicare	7,288	9,125	19,345	16,185
8	Private	2,208	2,555	6,935	8,677
9	Other	2,908	3,285	5,840	7,009
10	Total	35,040	41,975	59,860	51,955
11	% of Total Days				
12	Medicaid	64.6%	64.3%	46.3%	38.7%
13	Medicare	20.8%	21.7%	32.3%	31.2%
14	Private	6.3%	6.1%	11.6%	16.7%
15	Other	8.3%	7.8%	9.8%	13.5%
16	Total	100%	100%	100%	100%
Source: 2010 Nursing Home Database (from 2011 License Renewal Apps)					

As these data illustrate, UHS-Pruitt's existing facility in Wake County provides a low percentage of its days of care to Medicaid recipients. In fact, the data reported in Form A, shows the provision of Medicaid days at a level below the Wake County average. Data from the FY2010 License Renewal Application database for the same facility indicates that an even smaller percentage of days of care were provided to Medicaid patients. Given either of these percentages, one questions whether it is realistic that UHS-Pruitt will provide the 64%+ Medicaid days of care it projects at its two proposed new facilities.

Wake Co. NF-Bed CON Review Comments

Submitted by: Britthaven, Inc. | Spruce LTC Group, LLC | Redwood LTC Group, LLC

Charges

As with projected Medicaid service, UHS-Pruitt should be scrutinized for its projected Private Pay rates in its proposed two new facilities. The following table illustrates the current rates charged by the applicant in its existing Wake County facility:

Competing Applicant Comparison Worksheet Wake County 2011 CON Review			
A	C	D	E
Rates/Charges (SECTION X)			
Total Facility			
	Pruitt	Pruitt	Pruitt
	EXISTING	NEW	NEW
	J-8719-11	J-8720-11	J-8722-11
	20	100	120
1	Private Pay		
2	Private Room	\$253.61	\$188.00
3	Semi-Private	\$216.07	\$179.00

It is questionable whether or not it is realistic for the applicants to project charges that are approximately \$65 less for a private room and \$37 less for a semi-private room than its existing Wake County facility charges.

Costs

In none of its applications does UHS-Pruitt provide hours, or cost for therapy services, in Table VII.3. It is presumed the applicant treats these costs as contractual and has accounted for them in Form C; however, the absence of information in Table VII.3 prevents the comparative analysis of these costs vis-à-vis other applicants.

Wake Co. NF-Bed CON Review Comments

Submitted by: Britthaven, Inc. | Spruce LTC Group, LLC | Redwood LTC Group, LLC

J-8723-11 | Liberty/St. Mary's

J-8726-11 | Liberty/Cedar Fork

J-8727-11 | Liberty/House Creek

Liberty Health Care Properties of West Wake County has submitted three CON applications proposing the development of three essentially identical 130-bed skilled nursing facilities (120 new beds, 10 relocated from Capital Nursing & Rehab) in three distinct parts of Wake County. The following comments pertain to these three applications collectively.

Payer-Mix

Despite three separate geographical locations within Wake County, Liberty anticipates identical payer-mixes at all three facilities. This projected payer-mix is likely unrealistic given that there is considerable economic diversity in Wake County and that these three facilities are in distinct parts. Since individuals prefer to reside in facilities closer to their homes, it is logical to assume that these facilities would have patients from immediately surrounding areas. If the facilities are located within areas with different economic conditions, the patient-mix should also be different. Liberty did not account for these likely differences, thus, it is probable that its revenue projections are misstated, thereby making it difficult to evaluate the actual financial feasibility of these projects.

Application Completeness

The CON Application instructions in Section X state that "All applicants complete Form B and Form C for each of the first two full federal fiscal years of operation (10/1-9/30) following completion of the project." In each of its applications Liberty fails to provide Pro Forma statements for the co-applicant Lessor Liberty Healthcare Properties of West Wake Co., LLC.

Staffing

As shown below, Liberty, in each of its applications, projects staffing levels (nursing hours per patient, per day) that considerably exceed that of any other applicant and, accordingly, the average and median NHPPD of all applicants in this review. This observation is not intended to suggest that high nurse (RN, LPN, CNA) staffing is not positive; rather, the comment is made to ensure that the CON Section fully assesses the credibility of this projection.

Wake Co. NF-Bed CON Review Comments

Submitted by: Britthaven, Inc. | Spruce LTC Group, LLC | Redwood LTC Group, LLC

Competing Applicant Comparison Worksheet					
Wake County					
2011 CON Review					
A	B	C	D	E	F
Applicants	All-App. Average	All-App. Median	Liberty (St. Mary's)	Liberty (Cedar Fork)	Liberty (House Creek)
1			NEW	NEW	NEW
2	Project ID#		J-8723-11	J-8726-11	J-8727-11
3	TOTAL BEDS		130	130	130
4	Nursing Hours/Day (VII.4)				
5	Trad NF				
6	RN	0.44	0.47	0.52	0.52
7	LPN	0.93	0.91	0.91	0.91
8	NA	2.48	2.43	3.04	3.04
9	Total	3.84	3.85	4.47	4.47
10					
11	Alz				
12	RN	0.73	0.82	0.52	0.52
13	LPN	0.72	0.84	0.91	0.91
14	NA	2.70	2.68	3.04	3.04
15	Total	4.14	4.04	4.47	4.47
16					
17	Total NF				
18	RN	0.45	0.47	0.52	0.52
19	LPN	0.91	0.91	0.91	0.91
20	NA	2.48	2.43	3.04	3.04
21	Total	3.84	3.85	4.47	4.47

**Note: Averages & Medians calculated using only one set of values for applicants with multiple, identical applications. Including all findings would overstate averages and misrepresent median.*

Wake Co. NF-Bed CON Review Comments

Submitted by: Britthaven, Inc. | Spruce LTC Group, LLC | Redwood LTC Group, LLC

J-8730-11 | Rehab & Nursing of Cary

This application is submitted along with a complementary 120-bed proposal (J-8731-11 | Rehab & Nursing of Raleigh). These applicants are affiliated with Blue Ridge Health Care Center, an existing Wake County facility.

Accessibility

The applicants propose to dually-certify all 120 beds; however, only 50.65% of projected days of care in Year 2 are for Medicaid recipients. This amount is less effective than other proposals in this review. Furthermore, Alzheimer’s residents are typically Medicaid patients; thus, if many of the proposed 30 dedicated Alzheimer’s beds are occupied by Medicaid patients, the remaining 90 beds will be occupied at a very low rate by Medicaid patients. This does not reflect an effect proposal in terms of ensuring accessibility to the medically underserved population of Wake County, which already has a disproportionate difficulty in obtaining access to existing NF beds.

	A	B	C	D
Competing Applicant Comparison Worksheet				
Wake County				
2011 CON Review				
	Applicants	Rehab & Nursing at Cary	Rehab & Nursing at Raleigh	Blue Ridge Health Care Ctr.
1		NEW	NEW	EXISTING FACILITY
2	Project ID#	J-8730-11	J-8731-11	APPLICANT-AFFILIATED
3	Number of NEW NF B	120	120	FY2010 Averages
4	Utilization/Payor Source (SECTION IV)			
5	Days of Care			
6	Medicaid	20,164	20,164	19,071
7	Medicare	10,220	10,220	11,254
8	Private	6,509	6,509	6,712
9	Other	2,920	2,920	5,155
10	Total	39,813	39,813	42,192
11	% of Total Days			
12	Medicaid	50.6%	50.6%	45.2%
13	Medicare	25.7%	25.7%	26.7%
14	Private	16.3%	16.3%	15.9%
15	Other	7.3%	7.3%	12.2%
16	Total	100%	100%	100%

Special Care Unit

The applicant states that it will offer a 30-bed Memory Care unit (e.g., p. 40); however, no staffing, days of care, charges, cost or revenue information is provided for these 30 beds in Sections IV, VI, VII, X, and/or the Pro Formas. Without this information,

Wake Co. NF-Bed CON Review Comments

Submitted by: Britthaven, Inc. | Spruce LTC Group, LLC | Redwood LTC Group, LLC

it is not possible to accurately assess the financial feasibility of the proposal. This omission is not insignificant and, thus, the application is likely non-conforming to certain CON Review Criteria.

Wake Co. NF-Bed CON Review Comments

Submitted by: Britthaven, Inc. | Spruce LTC Group, LLC | Redwood LTC Group, LLC

J-8731-11 | Rehab & Nursing of Raleigh

Special Care Unit

As with the applicant's Cary project (J-8730-11), no detailed information is provided about its proposed 30-bed Memory Care unit. The applicant states that it will offer a 30-bed Memory Care unit (e.g., p. 40); however, no staffing, days of care, charges, cost or revenue information is provided for these 30 beds in Sections IV, VI, VII, X, and/or the Pro Formas. Without this information, it is not possible to accurately assess the financial feasibility of the proposal. This omission is not insignificant and, thus, the application is likely non-conforming to certain CON Review Criteria.

Accessibility

The applicants propose to dually-certify all 120 beds; however, only 50.65% of projected days of care in Year 2 are for Medicaid recipients. This amount is less effective than other proposals in this review. Furthermore, Alzheimer's residents are typically Medicaid patients; thus, if many of the proposed 30 dedicated Alzheimer's beds are occupied by Medicaid patients, the remaining 90 beds will be occupied at a very low rate by Medicaid patients. This does not reflect an effect proposal in terms of ensuring accessibility to the medically underserved population of Wake County, which already has a disproportionate difficulty in obtaining access to existing NF beds.

	A	B	C	D
Competing Applicant Comparison Worksheet				
Wake County				
2011 CON Review				
Applicants	Rehab & Nursing at Cary	Rehab & Nursing at Raleigh	Blue Ridge Health Care Ctr.	
1	NEW	NEW	EXISTING FACILITY	
2	Project ID#	J-8730-11	J-8731-11	APPLICANT-AFFILIATED
3	Number of NEW NF B	120	120	FY2010 Averages
4	Utilization/Payor Source (SECTION IV)			
5	Days of Care			
6	Medicaid	20,164	20,164	19,071
7	Medicare	10,220	10,220	11,254
8	Private	6,509	6,509	6,712
9	Other	2,920	2,920	5,155
10	Total	39,813	39,813	42,192
11	% of Total Days			
12	Medicaid	50.6%	50.6%	45.2%
13	Medicare	25.7%	25.7%	26.7%
14	Private	16.3%	16.3%	15.9%
15	Other	7.3%	7.3%	12.2%
16	Total	100%	100%	100%

Wake Co. NF-Bed CON Review Comments

Submitted by: Britthaven, Inc. | Spruce LTC Group, LLC | Redwood LTC Group, LLC

Site Information

The size of the applicant's proposed site, 3.178 acres, almost certainly is too small to accommodate the proposed ~55,000 square foot building. (Note: Section XI states that the site acreage is 3018 acres; however, the Agreement of Purchase and Sale included in the application appendices states the acreage as 3.178 acres, for a purchase price of \$745,000.) Assurance that additional land will be purchased should it be necessary is insufficient to satisfy the site-control review criterion, as the cost of purchasing any additional land has not be accounted for in the proposal under review.

Payer Mix

The two applications (J-8730-11 ("Rehab & Nursing at Cary") and J-8731-11 ("Rehab & Nursing at Raleigh")) propose development of essentially *identical* 120-bed skilled nursing facilities. One significant flaw in these applications is that they project *absolutely no difference* in patient payer mix, despite the fact that both facilities are in different parts of Wake County (Cary and Raleigh). Specifically, each facility projects the following payer mix:

% of Total Days of Care by Payor Source		
Payor Source	Rehab & Nursing at Cary	Rehab & Nursing at Raleigh
Medicaid	50.6%	50.6%
Medicare	25.7%	25.7%
Private	16.3%	16.3%
Other	7.3%	7.3%
Total	100%	100%

Given the economic diversity of Wake County, it is reasonable to question whether it is likely that two facilities in two distinct parts of the county would operate with the exact same percentage of patient days by payer source. A review of existing facility payer source data shows that no two facilities have exactly the same percentages of days of care by payer source, thus it appears that these applicants merely failed to make any consideration about this issue. In a competitive review with, presumably, multiple approvable applicants, it is reasonable (and necessary) to consider such issues in determining approvability.

Wake Co. NF-Bed CON Review Comments

Submitted by: Britthaven, Inc. | Spruce LTC Group, LLC | Redwood LTC Group, LLC

J-8717-11 | The Heritage

Accessibility

As discussed above, accessibility to Medicaid beds is perhaps the most critical aspect of this review. When utilization data for existing NF beds in Wake County is examined, one must note the extremely low percentage of days of care provided to Medicaid recipients (~50% overall). Some facilities, however, provide greater than 70% of their days of care to Medicaid patients. Additionally, a notable percentage of Wake County Medicaid recipients leave the county for NF care. These data indicate that there is an unmet need in the county for Medicaid placement opportunities. As shown in the table below, The Heritage does not represent an effective alternative for increasing access to the Medicaid population:

	A	B
Competing Applicant Comparison Worksheet Wake County 2011 CON Review		
	Applicants	The Heritage
1		NEW
2	Project ID#	J-8717-11
3	Number of <u>NEW</u> NF Beds	90
4	Utilization/Payor Source (SECTION IV)	
5	Days of Care	
6	Medicaid	16,996
7	Medicare	6,135
8	Private	5,268
9	Other	2,262
10	Total	30,661
11	% of Total Days	
12	Medicaid	55.4%
13	Medicare	20.0%
14	Private	17.2%
15	Other	7.4%
16	Total	100%

Charges

Along similar lines, The Heritage proposes private pay charges that are not indicative of ensuring access to the greatest number of Wake County residents in need of NF care, as reflected in the table below:

Wake Co. NF-Bed CON Review Comments

Submitted by: Britthaven, Inc. | Spruce LTC Group, LLC | Redwood LTC Group, LLC

Competing Applicant Comparison Worksheet Wake County 2011 CON Review		
A	B	F
Rates/Charges (SECTION X)		
Total Facility		
	Average All Applicants	The Heritage
		NEW
		J-8717-11
		90
1	Private Pay	
2	Private Room	\$215.75
3	Semi-Private Room	\$190.15

The proposed rates for Private and Semi-Private rooms significantly exceed the average rates proposed by all applicants. At a minimum, this discrepancy puts The Heritage at a comparative disadvantage to other applicants who propose charges that are more conducive to overall accessibility.

Costs

As also discussed above in the general overview of this review and the applications submitted, the cost of operations and cost-control are issues that are particularly relevant to this review. Of all the applicants, The Heritage has proposed the highest costs per patient day:

Wake Co. NF-Bed CON Review Comments

Submitted by: Britthaven, Inc. | Spruce LTC Group, LLC | Redwood LTC Group, LLC

Competing Applicant Comparison Worksheet		
Wake County		
2011 CON Review		
A	B	G
Per Diem Cost Year 2 (FORM C)		
Total Facility		
	Average All Applicants	The Heritage
		NEW
		J-8717-11
		90
1	Direct Costs	
2	Routine	\$101.40
3	Dietary	\$15.88
4	Social Services	\$1.82
5	Activities	\$2.60
6	Ancillaries	\$27.67
7	Total Direct	\$149.36
8	Indirect Costs	
9	Laundry and Linen	\$2.77
10	Housekeeping	\$7.19
11	POM	\$7.15
12	General & Admin	\$35.74
13	POU	\$19.89
14	Total Indirect	\$72.74
15	Reimbursable	\$222.10
16	Non-Reimbursable	\$4.63
17	Total Operating	\$226.73
18		
19	Total NF Ancillaries	\$27.67
20		
21	Direct - Ancillaries	\$121.70
22		
23	Direct - Ancillaries + Indirect	\$194.43

In an environment in which reimbursement rates are subject to reduction, financial viability could become challenged if costs are high. In the alternative, if reimbursement is reduced, to maintain financial viability could require cost cutting, such as a reduction in staffing levels or staff salaries. In such circumstances, the financial viability of this project would become suspect.