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Healthcare Planning and Certificate of Need Section
Division of Health Service Regulation
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Raleigh, NC 27699-2704
Email: DHSR.CON.Comments@dhhs.nc.gov

RE: Written Comments for Project ID #F-011549-18

Big Elm Rehabilitation and Living Centers (a combination 50-bed skilled and 96 bed assisted living) located in Kannapolis, NC (Rowan County) is submitting these written comments in regards to the certificate of need application from Britthaven Inc., Hillco Ltd., and Granite Falls LTC, LLC to relocate 89 nursing facility beds from their current operations in other counties to Rowan County, NC and to construct an 89-bed facility in China Grove, NC. Big Elm Rehabilitation **opposes** the relocation of these beds as there is not a need for additional skilled beds in Rowan County where there is a significant surplus of existing beds within the county.

In order to relocate, the applicant must demonstrate that the proposal shall not result in a surplus, or increase and existing surplus of licensed nursing facility beds in the county that would gain nursing facility beds as a result of the proposed project, as reflected in the state medical facilities plan in effect at the time of the certificate of need review begins. In review of the certificate of need application submitted the following written comments need to be considered:

Section C-Criterion (3)

3. Patient Origin

Projected patient origin was not accurately reflected in the application. The applicant states that they will receive 85% of patients from Rowan County. They understate that in actuality locating a facility in China Grove, NC, will have a higher percentage from neighboring counties (Cabarrus, Davidson). This will lead to not only additional surplus in Rowan County but result in additional strain to bordering facilities in Cabarrus and Davidson County. The state medical facilities plan shows the projection for Cabarrus and Davidson Counties to have a surplus of a combined 58-beds in 2021. By bringing skilled beds from Eastern

North Carolina to Rowan County will negatively impact not only Rowan County facilities but will create additional surpluses in surrounding counties well beyond 2021.

Determination of Need

4(a).

Throughout this application the applicant states that there was a "statewide misalignment of NF beds" that created their surplus in the counties they wish to remove skilled beds from and place in Rowan County. Then under this section they state the "methodology (of the medical facilities plan) definitively reveals" a need in Rowan County. It needs to be noted that the SMFP does not allocate additional skilled beds in the 2018 and the proposed 2019 for additional beds in Rowan County and bringing additional beds from Eastern, NC will add to growing surplus in Rowan County which can be shown by actual data of existing facilities.

The applicant tries to demonstrate a need for their township of China Grove. However Big Elm, which is located in Kannapolis, NC services the same area the applicant proposes and consistently has skilled beds available and operates between 80%-88% occupancy. Adding an additional 89-beds to this area negatively impacts Big Elm as occupancy rates and days have steadily been decreasing.

5(a).

The applicant proposes a 30-bed memory care special care unit. There is not a need to have an memory care unit located in a skilled facility in Rowan County as this not only increases cost to the state's Medicaid program but also goes against a moratorium established for Assisted Livings under Session Law 2017-57, Section 11G.3.

The applicant supports the reason it is not needed in them showing that there has been a decrease in skilled nursing special care units for cognitive impairment. What they fail to provide is the reason being that special care units related to cognitive impairment can be done at the assisted living level.

 With the moratorium on special care units in assisted living as aforementioned, it has not allowed additional development of special care unit beds to meet this demographic however Big Elm, having 96-ALF beds is in the process of allocating 30 of these beds as a special care unit and is going through the exception process as noted in the law above.

In addition, the cost to the Medicaid program of a special care unit for cognitively impaired in a skilled facility is significantly higher than that in an assisted living where the need can be met and has been demonstrated with the decrease in skilled special care units related to memory loss.

Section D Criterion (3a)

2.(a)

The applicant, as other facilities across the state, are seeing a decrease in use of their existing skilled nursing facilities utilization so their vacancies rates are similar to those that providers face with the new delivery of skilled services; including Rowan County. In addition in review of the facilities on

Medicare.gov, 69 of the beds they wish to relocate are in 1-star and 2-star facilities which also decreases admissions as you have to be 3-star or higher to participate in Medicare's ACOs and value based programs. This also needs to be considered as why they have vacancies as well as the age of the facility. It will be shown through statistical data that there is a significant surplus of SNF beds in Rowan County currently and they are dealing with excess beds similar to Rowan County exiting providers.

Section E Criterion (4)

3.(a)

The applicant only references the state medical facility plan for their data however they do not use current data from existing Rowan County providers. With relocating beds from three facilities at a significant distance from the existing facilities to Rowan County, one would have expected a more cost effective method by working with other providers in similar markets to better assist them or to transfer these beds through the certificate of need process to other facilities in the local market.

In the application it states "since there is no allocation of new NF beds in 2018 SMFP...there is no other way" to get beds in Rowan County. The reason there are no beds allocated in the SMFP is because they are not needed in Rowan County and current utilization for existing SNF providers shows vacancies that far exceed the 89 beds the applicant request.

Section G- Criterion (6)

The applicant's proposed project _will_ result in unnecessary duplication of existing or approved health service capabilities or facilities.

2.

The applicant uses percentages of occupancy as opposed to actual beds vacant in Rowan County. In review of skilled facilities and their occupancies the following surplus of **beds** can be determined:

Facility	Total SNF Beds/SNF Occupied Beds as of 9/30/2017	Amount of Beds in Rowan County in Surplus
Autumn Care	97/90	7 surplus
Big Elm Rehabilitation	50/44	6 surplus
Brian Center	185/113	72 surplus
Brightmoor Nursing Center	58/40	18 surplus
Liberty Commons Nsg & Rehab	90/87	3 surplus
Magnolia Estates	70/54	16 surplus
VA	99/95	4 surplus
Salisbury Center	160/115	45 surplus
The Laurels	60/57	3 surplus
Trinity Oaks	115/104	11 surplus
Total	**984/799**	**185**

There are a total of 185 unused beds in Rowan County. Adding another 89 beds would cause the surplus of beds to increase and would be a duplication of services already provided.

Section H Criterion (7)

Staffing in Rowan County, as in the entire state of North Carolina, is very challenging and most of the facilities in Rowan County are experiencing challenges with finding quality nursing personnel. Adding additional 89 beds to Rowan County will simply increase the shortage of qualified individuals and dilute the nursing employee population so that the staffing concerns will be exacerbated.

The applicant proposes recruitment efforts that are already employed in the Rowan County community by current providers.

Section J Criterion (9)

The applicant states that 85% of their referrals will be from Rowan County. As noted previously, the county has a significant surplus of beds in Rowan County including areas located in very close proximity to Rowan Regional Hospital. By geographical location proposed by the applicant it is clear their intentions are to pull from the Cabarrus County market which has a noted surplus of 18 beds in the 2018 SMFP projected for 2021.

Section O Criterion (20)

3.(a)

As noted above the applicant is looking to relocate 69 beds from two facilities; 49 beds is a 1-star on Medicare.gov and 20 beds are a 2-star.

Pro Forma Comments

Medicaid Rate that is used by applicant was $185.21. This is an inflated rate ($12.44/day) as can be shown by the table below of 9 of the 10 Rowan County existing facilities (Note the VA has flat contracted rates that factor in cost of medications that increase that rate)

Facility	AVG MEDICAID RATE (FYE 09/30/2017)
Autumn Care	$179.47
Big Elm Rehabilitation	$176.27
Brian Center	$168.58
Brightmoor Nursing Center	$179.61
Liberty Commons Nsg & Rehab	$168.80
Magnolia Estates	$166.51
VA	N/A Contract flat fee
Salisbury Center	$178.76
The Laurels	$176.30
Trinity Oaks	$160.64
AVG for Rowan County	**$172.77**

If the applicant uses actual data from experienced operators in Rowan County, revenue will be significantly impacted.

A Medicare rate of $500/day is being used which is inflated. Even more important however for the analyst to consider is skilled nursing facility Medicare reimbursement is changing in 2019 under PDPM. Rates will be affected and reductions will be felt across providers for skilled nursing services which not only will impact the applicants proposed project but will also affect the other skilled providers who are facing occupancy struggles in Rowan County.

Summary

In summary there is not a need for additional skilled nursing beds in Rowan County. Where the SMFP is used to try and show there will be a deficit of 89 beds in 2021, the reality is that is not an accurate assessment as proven by beds available in Rowan County of existing providers that shows 185 bed surplus. This is due to the enormous changes in the post-acute services where more people are seeking home-based services as opposed to traditional skilled and assisted livings. Rowan County is providers are impacted by Accredited Care Organizations (ACOs) who are looking to reduce cost to the Medicare program by using alternatives to SNF placement. Occupancy rates have declined and this puts financial challenges to existing providers. Adding 89 additional beds is not needed and therefore does not conform with certificate of need requirements.

Also, Big Elm Rehabilitation which is located 5 minutes from the proposed site can meet the special needs of the memory impaired and there is no need for a SNF memory care unit. There currently is a moratorium for ALFs to provide memory care units that expires 2019. Big Elm is currently in the exception process to create a Memory Care Unit in the assisted living which has been shown to be more cost effective in providing the same services to these patients with less cost to Medicaid. The applicant proposes to use care for memory care at $185.21 per day for a Medicaid memory care patient. This same service will be provided in an Assisted Living for $65 per day in an Assisted Living. The more cost-effective approach is to utilize the assisted livings for special care units for memory care.

Another consideration for the analyst is that there are two providers 4 existing providers that are under 89 beds. As experienced operators know, it is difficult to manage buildings with less than 90 skilled beds. The surplus of beds identified should be used by existing providers or other's seeking entry to Rowan County but not adding additional beds. It is better if this applicant works with existing providers to obtain beds rather than add to the already 185 bed surplus.

In all, times are changing and SNFs days are different. Relocation of these beds during this time of change will result in inefficiencies and will make smaller providers who have serviced the market for years struggle and it is important to take into consideration the impact to smaller existing businesses who have served this community for decades.

We appreciate this opportunity to provide our written comments.