

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

DECISION DATE: August 22, 2014
PROJECT ANALYST: Celia C. Inman
TEAM LEADER: Lisa Pittman

PROJECT I.D. NUMBER: L-10295-14 / Raleigh Road Nursing Center, LLC and Rocky Mount Health and Rehabilitation, LLC / Relocate 100 nursing facility beds and 15 adult care home beds to a newly constructed facility / Nash County

REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

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.

CA

Raleigh Road Nursing Center, LLC (RRNC) and Rocky Mount Health and Rehabilitation, LLC (RMHR) propose to relocate South Village, an existing nursing facility with 100 nursing facility (NF) beds and 15 adult care home (ACH) beds, from the current location in Rocky Mount, Nash County to a newly constructed replacement facility in Rocky Mount, Nash County.

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 2014 State Medical Facilities Plan (SMFP). However, the following policies are applicable to this review and discussed below:

- POLICY NH-6: RELOCATION OF NURSING FACILITY BEDS
- POLICY NH-8: INNOVATIONS IN NURSING FACILITY DESIGN
- POLICY LTC-2: RELOCATION OF ADULT CARE HOME BEDS
- POLICY GEN-4: ENERGY EFFICIENCY AND SUSTAINABILITY FOR HEALTH SERVICE FACILITIES

POLICY NH-6: RELOCATION OF NURSING FACILITY BEDS states:

“Relocations of existing licensed nursing facility beds are allowed only within the host county and to contiguous counties currently served by the facility, except as provided in Policies NH-4, NH-5 and NH-7. Certificate of need applicants proposing to relocate licensed nursing facility beds to contiguous counties shall:

- 1. Demonstrate that the proposal shall not result in a deficit in the number of licensed nursing beds in the county that would be losing nursing facility beds as a result of the proposed project, as reflected in the North Carolina State Medical Facilities Plan in effect at the time the certificate of need review begins; and*
- 2. Demonstrate that the proposal shall not result in a surplus of licensed nursing beds in the county that would gain nursing facility beds as a result of the proposed project, as reflected in the North Carolina State Medical Facilities Plan in effect at the time the certificate of need review begins.”*

The applicants are proposing to relocate existing nursing facility beds within Nash County, the host county. Therefore, the application is consistent with Policy NH-6.

POLICY NH-8: INNOVATIONS IN NURSING FACILITY DESIGN states:

“Certificate of need applicants proposing new nursing facilities, replacement nursing facilities and projects associated with the expansion and/or renovation of existing nursing facilities shall pursue innovative approaches in care practices, work place practices and environmental design that address quality of care and quality of life needs of the residents. These plans could include innovative design elements that encourage less institutional, more home-like settings, privacy, autonomy and resident choice, among others”

In Section III, pages 25-26, the applicants discuss the innovative approaches inherent in the proposed relocation and replacement of beds, noting 50 private rooms with private bathrooms, two separate private living room and dining rooms, a large staff lounge, improved physical plant and approximately 36,000 more square feet of space than the original facility. The applicants state:

“Staff members will take pride in delivering services to their residents in a physical plant setting that is “state of the art” and has all modern amenities. Residents will notice the improved physical plant, and family members will be much more likely to visit. All of this will result in enhanced patient care and improved quality of life for the residents.

SanStone Health and Rehabilitation is a leader in developing innovative approaches in care practices. They collaborate with a number of facilities and share/exchange data and conduct group training for management and direct care nursing staff. The

goals of enhanced resident care and an improved work place environment have been achieved in some of the “early adopter” SanStone facilities.”

The applicants are proposing to pursue innovative approaches in care practices, work place practices and environmental design, which will address quality of care and quality of life needs of the residents. Therefore, the application is consistent with Policy NH-8.

POLICY LTC-2: RELOCATION OF ADULT CARE HOME BEDS states:

“Relocations of existing licensed adult care home beds are allowed only within the host county and to contiguous counties currently served by the facility. Certificate of need applicants proposing to relocate licensed adult care home beds to contiguous counties shall:

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

The applicants are proposing to relocate existing adult care home beds within Nash County, the host county. Therefore, the application is consistent with Policy LTC-2.

POLICY GEN-4: ENERGY EFFICIENCY AND SUSTAINABILITY FOR HEALTH SERVICE FACILITIES states:

“Any 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 shall include in its certificate of need application a written statement describing the project’s plan to assure improved energy efficiency and water conservation.

In approving a certificate of need proposing an expenditure greater than \$5 million to develop, replace, renovate or add to a health service facility pursuant to G.S. 131E-178, the Certificate of Need Section 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 are 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."

In Section III, page 29, the applicants provide information describing the proposed project's plan to assure improved energy efficiency and water conservation:

"The building will be constructed with energy efficient insulation, consistent with existing building codes. Insulated windows, energy efficient split heating and cooling equipment as well as energy efficient appliances will be incorporated in the design of the building. The building will also have programmable thermostats, energy efficient fluorescent lighting and LED lighting, and dual level switching. Motion sensors for the lighting will be placed in common areas. A central lighting control system will be used for the common areas which will reduce energy consumption.

Water conservation will be achieved through the use of low flow toilets in general area bathrooms. New water pipes will minimize water leak potential. On demand gas water heaters with a recirculation loop will be utilized which will reduce the potential for water heater ruptures and leaks."

The application is consistent with Policy GEN-4, subject to Condition 5 in Criterion (4).

In summary, the application is conforming to all applicable policies in the 2014 SMFP. Therefore, the application is conforming to this criterion, subject to Condition 5 in Criterion (4).

- (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, handicapped persons, the elderly, and other underserved groups are likely to have access to the services proposed.

C

Raleigh Road Nursing Center, LLC (RRNC) and Rocky Mount Health and Rehabilitation, LLC (RMHR) propose to relocate 100 existing NF beds and 15 existing ACH beds from the current location in Rocky Mount, Nash County to a newly constructed replacement facility in Nash County. The facility, South Village, is a combination nursing facility. The proposed replacement facility, South Village, will be located approximately eight miles from the current location.

The land and building will be owned by RRNC (lessor) and the building will be leased to RMHR (lessee), the operator of the nursing facility. RMHR began operating the facility May 1, 2014. The nursing facility will continue to be managed by Ardent Health and Rehabilitation d/b/a SanStone Health and Rehabilitation (SanStone). The existing and proposed lease agreements and the management agreement are provided in Exhibits 1, 2 and 3, respectively.

Population to be Served

In Section III.7, page 32, the applicants provide the projected patient origin for the NF and ACH beds as shown in the table below:

**Proposed Patient Origin
by Percent by County**

County of Origin	NF Beds	ACH beds
Nash	59%	75%
Halifax	9%	0%
Franklin	2%	0%
Edgecombe	14%	25%
Wilson	10%	0%
Pitt	2%	0%
Guilford	1%	0%
Wayne	1%	0%
Cumberland	1%	0%
Wake	1%	0%
Total	100%	100%

The applicants state:

“Patient origin percentages were based on the county of origin for the residents at the existing facility.”

The applicants adequately identify the population to be served.

Demonstration of Need

In Section III.1, pages 19-22, the applicants discuss the need to relocate and replace South Village and its 100 NF beds and 15 ACH beds. The applicants state the need is an internal need, based on the age and condition of the existing building, specifically:

- The existing building is over 50 years old, consisting of approximately 30,000 total square feet.
- The existing facility has the following room configurations:

- 44 semi-private nursing facility rooms,
 - 12 private nursing facility rooms,
 - 1 private adult care room,
 - 4 semi-private adult care rooms, and
 - 6 beds in wards.
- The existing facility is old and will not meet current construction requirements for ACH facilities.
 - The existing facility does not have a laundry facility.
 - The facility's kitchen is in the front of the building, making the entrance aesthetically unappealing.
 - The interior walls are cinder block as opposed to drywall.
 - All bathrooms are shared.
 - All windows need replacing and the building is poorly insulated with a poor air conditioning system.
 - The internal ramp leads to a resident area, which is a hazard.
 - There is not enough office space.
 - There is little outdoor space and inadequate parking.
 - There are very few common areas.
 - The nurse's stations and call systems are inadequate.

The applicants provide photographs of the existing facility in Exhibit 4; and on page 19 of the application, state:

“The photographs show a 50 year old dilapidated, extremely small building with a noticeable lack of space and lack of amenities expected by today's nursing facility population. It is obvious the building needs to be replaced to keep pace with the demands placed upon nursing facilities by today's residents and families.”

The applicants propose a new facility that consists of the following:

- 50 private nursing facility rooms,
- 25 semi-private nursing facility rooms,
- 15 private adult care home rooms
- 65,887 square feet of space with more common/family visitation space and private dining, private baths in each room, larger therapy space and a community feel rather than an institutional feel.

In Section III.2(b), pages 23-24, the applicants discuss the proposed location of the replacement facility and the availability and distribution of nursing beds in Nash County, along with the projected population increase. The applicants suggest that although the project is technically a relocation, it is essentially replacing the facility in the same relative location because of the close proximity of the new location to the existing facility. The applicants state:

“As with the current South Village facility, the proposed location will be in the city limits of Rocky Mount. There are five nursing facilities in Nash County, with two being located in Nashville. Nashville and Rocky Mount represent by far the largest population bases in Nash County and are the most logical places for nursing facilities in the county.”

The applicants provide the current distribution of beds between Nashville and Rocky Mount, with 75% of the beds being in Rocky Mount and 25% being in Nashville. The applicants state:

“This is for all practical purposes the exact same as the projected distribution of the population of individuals over 65 in these two towns in 2019.”

The applicants provide projected population data in Exhibit 9 which they say supports the need for the beds to remain located in Rocky Mount. The data shows the 2019 65+ population is projected to be 9,722 in Rocky Mount and 3,395 in Nashville. Exhibit 9 also provides a projection of the individuals over age 65 in a five mile radius from the proposed site. That cohort of the population is expected to increase 30.88% between 2014 and 2019.

Projected Utilization

In Section IV, pages 37-38, the applicants provide projected utilization for the first two full federal fiscal years as illustrated in the table below:

	Project Year 1 October 1, 2017-September 31, 2018					Project Year 2 October 1, 2018-September 31, 2019				
	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Total	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Total
Nursing Beds										
Patient Days	8,420	8,550	8,645	8,740	34,355	8,740	8,550	8,645	8,740	34,675
Occ Rate	91.52%	95.00%	95.00%	95.00%	94.12%	95.00%	95.00%	95.00%	95.00%	95.00%
# beds	100	100	100	100	100	100	100	100	100	100
ACH Beds										
Patient Days	1,102	1,148	1,160	1,173	4,583	1,173	1,148	1,160	1,173	4,654
Occ Rate	79.82%	85.04%	84.98%	85.00%	83.70%	85.00%	85.04%	84.98%	85.00%	85.00%
# beds	15	15	15	15	15	15	15	15	15	15
Total Beds										
Patient Days	9,522	9,698	9,805	9,913	38,938	9,913	9,698	9,805	9,913	39,329
Occ Rate	90.00%	93.70%	93.69%	93.70%	92.76%	93.70%	93.70%	93.69%	93.70%	93.70%
# beds	115	115	115	115	115	115	115	115	115	115

As shown in the table above, in the second year of operation, the applicants project the 100 NF beds will operate at an occupancy rate of 95% of capacity [$34,676 / 365 / 100 = 0.9500$] and the 15 ACH beds will operate at 85% of capacity [$4,654 / 365 / 15 = 0.8500$].

Assumptions

All existing NF residents (assumed to be 81) are expected to transfer to the new facility upon project completion. Thereafter, a fill up rate of 4 residents per week is assumed until 95%

occupancy is achieved. The applicants state that no mathematical formula was utilized. On page 34, the applicants state this is consistent with Nash County nursing facility providers of choice, based on 2014 licensure renewal data and cost report data.

All existing ACH residents (assumed to be 8) are expected to transfer to the new facility upon project completion. The applicants project a fill up rate of 2 residents per week for the first month and then 3 residents per month thereafter, until an occupancy rate of 85% is realized and maintained. Relative to this projected utilization, the applicants state:

“These assumptions were developed based on the factors of occupancy and operational history and not specific mathematical formulas. Based on a review of most recent license renewal data, there was an Occupancy Rate of 71.82% for all adult care homes in Nash County. We arrayed adult care home cost reports and identified facilities that were 10 years old or newer. There were 140 Adult Care Homes in the database that fell into this category. Of these 140 homes, 46, or 33% had occupancy rates of 96% or higher. This substantiates the assumption that it is not only possible, but highly probable that a newer facility will be able to achieve 85% occupancy.”

Projected utilization of the replacement facility is based upon reasonable, credible, and supported assumptions, based on overall Nash County utilization and utilization of similar facilities. Exhibit 25 lists the applicants’ assumptions in detail. The applicants adequately demonstrate the need to replace the South Village combination nursing facility (100 NF beds and 15 ACH beds) in Nash County. See Exhibit 10 for letters from current residents expressing support for the relocation of South Village.

Access

In Section VI.3, page 46, the applicants project 70% of NF patient days will come from patients receiving Medicaid and 50% of ACH patient days will come from County Assistance. The applicants state:

“Projection of patient days by payor source was based upon operational experience and prior history.

...

Financial circumstances have no bearing on the resident status. A private pay patient that becomes Medicaid eligible will simply have their services paid by the Medicaid program.”

In summary, the applicants adequately identify the population to be served and demonstrate the need the population has for the project and the extent to which all residents of the area, in particularly underserved groups, are likely to access the services provided. All current residents are expected to relocate to the proposed replacement facility. See Criterion (13c) for discussion regarding access by medically underserved groups which is hereby incorporated by reference as if set forth fully herein. Therefore, the application is conforming to this criterion.

- (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, handicapped persons, and other underserved groups and the elderly to obtain needed health care.

C

The applicants propose to replace South Village by relocating it to a newly constructed facility located only eight miles from the existing facility, in Rocky Mount. The number of beds offered is not being reduced. The applicants expect all current residents to relocate to the new facility. The relocation of the facility is not expected to have any effect on the ability of low income persons, racial and ethnic minorities, women, handicapped person, the elderly and other underserved groups to obtain needed health care. The nursing facility beds are projected to be 70% Medicaid beds; the ACH beds are projected to be 50% County Assistance beds.

The application is conforming to this criterion.

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

CA

In Section III.2, pages 22-23, the applicants discuss the alternatives considered prior to the submission of this application, which include:

1. Maintain the Status Quo – the applicants state they considered continuing to utilize the existing physical plant; however, they deemed this alternative to be undesirable relative to the quality of life of the existing residents and the financial viability of the facility.
2. Renovate the Existing Facility – the applicants state that they explored the possibility of renovating the existing facility. This alternative was deemed to be an expensive band-aid approach that would fail to improve the quality of life and safety of the residents for the long-term.
3. Construct a Replacement Facility on the Existing Site – the applicants quickly determined the construction of a replacement facility on the existing site to be a non-workable alternative. The existing site is not large enough for a new building to be constructed while continuing to house the residents in the existing building.
4. Relocate the Beds and Construct a New Facility – the applicants state that this alternative affords its residents modern amenities and privacy features to enhance

their quality of life. Not only is this alternative the most appropriate from a health planning standpoint, suggest the applicants, but it is the least costly, most effective from a financial perspective, as well, stating:

“Under the current Medicaid reimbursement methodology, the Medicaid program provides financial assistance to providers who build new buildings. This methodology was not adopted simply as a way to provide more money to operators of nursing homes, but rather as an incentive to providers to build new buildings in an effort to keep our elderly population out of old buildings in states of disrepair.”

The applicants adequately demonstrate that the proposed alternative is the most effective or least costly alternative.

Furthermore, the application is conforming or conditionally conforming to all applicable statutory and regulatory review criteria, and thus, the application is approvable. An application that cannot be approved is not an effective alternative.

In summary, the applicants adequately demonstrate that the proposal is the least costly or most effective alternative to meet South Village’s need to relocate the 100 NF beds and 15 ACH beds to a newly constructed facility. Consequently, the application is conforming to this criterion and is approved subject to the following conditions.

- 1. Raleigh Road Nursing Center, LLC and Rocky Mount Health and Rehabilitation, LLC shall materially comply with all representations made in the certificate of need application.**
- 2. Raleigh Road Nursing Center, LLC and Rocky Mount Health and Rehabilitation, LLC shall construct a replacement combination nursing facility which shall be licensed for no more than 100 nursing facility beds and 15 adult care home beds upon project completion.**
- 3. For the first two years of operation following completion of the project, Raleigh Road Nursing Center, LLC and Rocky Mount Health and Rehabilitation, LLC shall not increase actual private pay charges more than 5% of the projected private pay charges provided in Section X of the application, without first obtaining a determination from the Certificate of Need Section that the proposed increase is in material compliance with the representations in the certificate of need application.**
- 4. Raleigh Road Nursing Center, LLC and Rocky Mount Health and Rehabilitation, LLC shall provide care to recipients of State/County Special Assistance with Medicaid for the facility, commensurate with representations made in Section VI.3.**

5. **Raleigh Road Nursing Center, LLC and Rocky Mount Health and Rehabilitation, LLC shall develop and implement an Energy Efficiency and Sustainability plan for the replacement facility that conforms to or exceeds energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes.**
 6. **Prior to the issuance of a certificate of need, Raleigh Road Nursing Center, LLC and Rocky Mount Health and Rehabilitation, LLC shall provide, to the Certificate of Need Section, written documentation of Raleigh Road Nursing Center, LLC's commitment to finance the capital cost of the proposed project through a commercial loan.**
 7. **Raleigh Road Nursing Center, LLC and Rocky Mount Health and Rehabilitation, LLC shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Certificate of Need Section in writing prior to issuance of the certificate of need.**
- (5) Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial feasibility of the proposal, based upon reasonable projections of the costs of and charges for providing health services by the person proposing the service.

CA

In Section VIII.1, page 57, the applicants project that the total capital cost of the project will be \$9,300,000 as shown in the table below.

Project Capital Costs

Site Costs, including land	\$990,000
Construction Contract	\$6,918,135
Equipment/Furniture	\$862,500
Consultant Fees	\$185,000
Financing Costs	\$80,000
Interest During Construction	\$264,365
Total Capital Cost	\$9,300,000

Exhibit 33 contains letters from the architect which state that total estimated construction costs are \$6,918,135, with additional site costs of \$800,000 and architectural fees of \$150,000, which is consistent with the information provided by the applicant in Section VIII.

In Section VIII.9(b), page 60, the applicants state:

“The lessor (Raleigh Road Nursing Center, LLC) will incur all of the capital costs and be responsible for all financing relative to this project.”

Exhibit 21 contains the financial statements for Raleigh Road Nursing Center for the years ending December 31, 2013 and 2012. As of December 31, 2013, RRNC had \$238,773 cash in its operating account, total assets of \$1,268,840 and total net assets of (\$83,187).

In Section VIII.2, page 58, the applicants show the total cost of the project will be financed with a commercial loan. Exhibit 19 contains a letter from BB&T Senior Vice President confirming BB&T's interest in financing the project, secured by a first deed of trust. Exhibit 20 contains the proposed amortization schedule for the loan.

In Section IX, page 62, the applicants state that there are no start-up and initial operating expenses because this is an existing facility.

The applicants adequately demonstrate the availability of financing for the proposed project through a commercial loan from BB&T to Raleigh Road Nursing Center; however, the applicants do not provide documentation from Raleigh Road Nursing Center verifying its commitment to obtain financing to fund the project.

In Section X, page 65, the applicants project charges and rates for the first two operating years following completion of the project, as shown in the following table.

Projected Per Diem Reimbursement Rates/Charges

	Private Room	Semi-Private Room
Nursing Unit		
Private Pay	\$ 235.00	\$ 210.00
Medicare*	\$ 422.71	\$ 422.71
Medicaid	\$ 164.33	\$ 164.33
Other (Hospice)	\$ 164.33	\$ 164.33
ACH Unit		
Private Pay	\$ 160.00	\$ 140.00
County Assistance	\$ 74.68	\$ 74.68

*Medicare charge should be the weighted average of the facility's RUG rates.

The applicants provide pro forma financial statements for the first two federal fiscal years of operation following completion of the project, as required in Section X of the application. The applicants project revenues will exceed operating expenses in each of the first two operating years of the project for the nursing beds and the adult care home beds, as illustrated in the tables below.

Project Year One October 1, 2017-September 30, 2018	NF Beds	ACH Beds	Total Facility
Projected # of Patient Days	34,355	4,583	38,938
Projected Average Charge	\$ 218	\$ 117	\$ 206
Gross Patient Revenue	\$ 7,486,202	\$ 537,812	\$ 8,024,014
Total Operating Expenses	\$ 7,130,616	\$ 530,194	\$ 7,660,810
Other Revenue	\$ 58,162		\$ 58,162
Net Income	\$ 413,748	\$ 7,618	\$ 421,366

Project Year Two October 1, 2018-September 30, 2019	NF Beds	ACH Beds	Total Facility
Projected # of Patient Days	34,675	4,654	39,329
Projected Average Charge	\$ 218	\$ 117	\$ 206
Gross Patient Revenue	\$ 7,556,034	\$ 546,100	\$ 8,102,134
Total Operating Expenses	\$ 7,155,499	\$ 531,689	\$ 7,687,188
Other Revenue	\$ 58,705		\$ 58,705
Net Income	\$ 459,240	\$ 14,411	\$ 473,651

The applicants also project a positive net income for the entire facility in each of the first two operating years of the project. The assumptions used by the applicants in preparation of the pro forma financial statements are reasonable, including projected utilization, costs and charges. See Exhibit 25 for the assumptions regarding costs and charges. See Criterion (3) for discussion regarding projected utilization which is hereby incorporated by reference as if set forth fully herein. The applicant adequately demonstrates that the financial feasibility of the proposal is based upon reasonable projections of costs and charges, and therefore, the application is conforming to this criterion, subject to Raleigh Road Nursing Center, LLC providing written documentation of its commitment to finance the project with a commercial loan. See Condition 6 of Criterion (4).

- (6) The applicant shall demonstrate that the proposed project will not result in unnecessary duplication of existing or approved health service capabilities or facilities.

C

The applicants do not propose to develop additional nursing facility or adult care home beds. Rather, the applicants propose to replace and relocate 100 existing nursing facility beds and 15 existing ACH beds within Nash County. The applicants state that the existing facility is over 50 years old and in poor condition. The proposed location is eight miles from the current location. All current residents are expected to relocate to the replacement facility. See Exhibit 10 for letters from current residents and family members showing support for the proposed relocation of South Village.

The applicants adequately demonstrate the need to replace and relocate the 100 NF and 15 ACH beds from the existing outdated facility to a new facility nearby. See Criterion (3) for a discussion of need, which is hereby incorporated by reference as if set forth fully herein. Consequently, the applicants adequately demonstrate that the proposed project will not result

in the unnecessary duplication of existing or approved NF or ACH beds in Nash County. Therefore, the application is conforming to this criterion.

- (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

In Section VII, pages 54-55, the applicants project the following staff for the second full federal fiscal year of the proposed project, as illustrated in the table below:

Position	Salary	NF FTEs	ACH FTEs	Total FTEs
Director of Nursing	\$ 65,000	0.95	0.05	1.00
Assistant Director of Nursing	\$ 58,240	0.95	0.05	1.00
MDS Nurse	\$ 65,000	1.42	0.08	1.50
RNs	\$ 56,160	3.98	0.22	4.20
LPNs	\$ 48,880	11.93	0.67	12.60
Certified Nursing Assistants	\$ 23,525	46.40	2.60	49.00
Medical Records Consultant	\$ 32,750	1.33	0.07	1.40
Other (Central Supply)	\$ 35,371	0.95	0.05	1.00
Social Worker	\$ 37,750	1.32	0.18	1.50
Kitchen Manager	\$ 41,600	0.88	0.12	1.00
Cooks	\$ 22,250	2.47	0.33	2.80
Dietary Aides	\$ 18,303	8.64	1.16	9.80
Activity Director	\$ 35,000	0.88	0.12	1.00
Activity Assistant	\$ 25,750	0.88	0.12	1.00
Housekeeping Supervisor	\$ 19,000	0.88	0.12	1.00
Housekeeping Aides	\$ 18,137	5.29	0.71	6.00
Laundry Aides	\$ 18,137	2.82	0.38	3.20
Maintenance Supervisor	\$ 38,750	0.88	0.12	1.00
Administrator	\$ 85,000	0.88	0.12	1.00
AP/Payroll	\$ 31,500	0.88	0.12	1.00
Bookkeeper	\$ 31,500	0.88	0.12	1.00
Receptionist	\$ 31,500	0.88	0.12	1.00
Total FTEs		96.37	7.63	104.00

The applicants list the following consultants and related fees paid by the facility:

Consultant	Fee Per Hour	NF Hours	ACH Hours	Total Hours	Total Fee
Medical Director	\$ 200	142.05	7.95	150	\$30,000
Licensed Dietician	\$ 45	181.82	10.18	192	\$8,640

In Section II, page 16, the applicants also identify physical therapy, speech therapy and occupational therapy as facility paid consultants and include them in ancillary services in Form C of the pro forma financial statements. In addition to the above consultants, a pharmacy consultant is provided by the pharmacy at no charge to the facility or the patients. Exhibit 12 contains a letter from the current Medical Director expressing support for the South Village relocation project and intent to continue as Medical Director. Exhibit 18 contains letters from the Pharmacy Consultant, therapists and the dietician expressing interest in continuing to provide services to South Village. The letters referenced above refer to Magnolia Properties of Nash, LLC and Rocky Mount Health and Rehabilitation, LLC in association with South Village. On page 31 of the application, the applicants state,

“It should be noted that these letters (along with most other letters from the community) reference Magnolia Properties of Nash LLC. This is an entity related to Raleigh Road Nursing Center, LLC and was inadvertently referenced in these letters. The letters clearly state the intent to relocate the current South Village beds. Raleigh Road Nursing Center, LLC and Rocky Mount Health and Rehabilitation, LLC are the sole applicants.”

The applicants adequately demonstrate the availability of sufficient health manpower and management personnel to provide the proposed services. Therefore, the application is conforming to this criterion.

- (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

In Section II, pages 16-17, the applicants list the ancillary and support services that will be provided by the facility or made available through agreements with other providers, including nursing, therapy, dietary, transportation, dentistry, physician, pastoral care, personal care, and beauty and barber services. In Exhibit 18 the applicants provide copies of letters from the Pharmacy Consultant, Registered Dietician and Rehab Solutions, committing to the provision of pharmacy consultation, dietician services and therapy services, respectively. Exhibit 12 contains letters from the facility’s Medical Director and two referral physicians. Letters from other area healthcare providers are presented in Exhibit 13. Exhibit 10 contains support letters from South Village residents or families. Letters showing community support are in Exhibit 14. As explained in the discussion in Criterion (7), which

is hereby incorporated by reference as if set forth fully herein, many letters inadvertently referred to a related entity, Magnolia Properties. The applicants state that the intent of the letters in reference to South Village are clear and the sole applicants for this application are Raleigh Road Nursing Center, LLC and Rocky Mount Health and Rehabilitation, LLC.

The applicants adequately demonstrate they will provide or make arrangements for the necessary ancillary and support services and the proposed services will be coordinated with the existing health care community. Therefore, the application is conforming to this criterion.

- (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

- (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 applicants propose to construct a 115-bed (100 NF beds and 15 ACH beds) replacement facility consisting of 65,887 square feet in Rocky Mount. The replacement facility will have 50 private nursing facility rooms, 25 semiprivate nursing facility rooms and 15 private adult care home rooms, all with private baths.

On Line 7 of Table VIII.1, in Section VIII.1, page 57, the “*Cost of construction contract(s)*” is listed as \$6,918,135. This is consistent with a statement by the applicants’ architectural firm, in Exhibit 33, that construction costs are \$105 per square foot ($\$105 \times 65,887 = \$6,918,135$). The letter states:

“We examined the feasibility of several design alternatives for the construction of a 115 bed nursing facility. Based on our selected design (65,887 S.F.), I would estimate that the square foot cost for new construction will be approximately \$105.00 for a total new building budget of \$6,918,135.00.”

In Section XI.14, page 78, the applicants discuss various techniques and policies they will implement to address energy efficiency and water conservation, including:

- construction with energy efficient insulation, consistent with existing building codes;
- energy efficient split heating and cooling equipment and energy efficient appliances;
- programmable thermostats, energy efficient fluorescent lighting and LED lighting, and dual level switching;
- motion sensors for lighting in common areas and a central lighting control system; and
- the use of low flow toilets, and on demand gas water heaters.

The applicants adequately demonstrate that the cost, design, and means of construction represent the most reasonable alternative and that the construction costs will not unduly increase costs and charges for health services. See Criterion (5) for discussion of costs and charges which is hereby incorporated by reference as if set forth fully herein. Therefore, the application is conforming to this criterion.

- (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:
- (a) The extent to which medically underserved populations currently use the applicant's existing services in comparison to the percentage of the population in the applicant's service area which is medically underserved;

C

The Division of Medical Assistance (DMA) maintains a website which offers information regarding the number of persons eligible for Medicaid assistance and estimates of the percentage of uninsured for each county in North Carolina. The following table illustrates those percentages for Nash, Edgecombe, Wilson and Halifax counties (92% of the South Village patient origin) and statewide.

	2010 Total # of Medicaid Eligibles as % of Total Population *	2010 Total # of Medicaid Eligibles Age 21 and older as % of Total Population *	2009 % Uninsured (Estimate by Cecil G. Sheps Center) *
Nash County	19.6%	8.7%	19.7%
Edgecombe County	30.6%	13.5%	21.3%
Wilson County	21.9%	9.0%	21.9%
Halifax County	29.9%	15.7%	22.3%
Statewide	16.5%	6.7%	19.7%

* More current data, particularly with regard to the estimated uninsured percentages, was not available.

The majority of Medicaid eligibles are children under the age of 21. This age group would not typically utilize the health services proposed in this application.

Moreover, the number of persons eligible for Medicaid assistance may be greater than the number of Medicaid eligibles who actually utilize health services. The DMA website includes information regarding dental services which illustrates this point. For dental services only, DMA provides a comparison of the number of persons eligible for dental services with the number actually receiving services. The statewide percentage of persons eligible to receive dental services who actually received dental services was 48.6% for those age 20 and younger and 31.6% for those age 21 and older. Similar information is not provided on the website for other types of services covered by Medicaid. However, it is reasonable to assume that the percentage of those actually receiving other types of health services covered by Medicaid is less than the percentage that is eligible for those services.

The Office of State Budget & Management (OSBM) maintains a website which provides historical and projected population data for each county in North Carolina. In addition, data is available by age, race or gender. However, a direct comparison to the applicants' current payor mix would be of little value. The population data by age, race or gender does not include information on the number of elderly, minorities or women utilizing health services. Furthermore, OSBM's website does not include information on the number of handicapped persons.

The applicants propose to relocate 100 existing NF beds and 15 existing ACH beds to a newly constructed replacement facility located approximately eight miles from the existing facility. In its 2014 License Renewal Application, South Village reports an occupancy rate of 81.09% for its 100 nursing facility beds with 87.5% of the days of

care reimbursed by Medicaid. The same report shows an occupancy rate of 52.18% for South Villages ACH beds with 100% Medicaid days of care.

The applicants demonstrate that medically underserved populations currently have adequate access to the applicants' existing services and are conforming to this criterion.

- (b) Its past performance in meeting its obligation, if any, under any applicable regulations requiring provision of uncompensated care, community service, or access by minorities and handicapped persons to programs receiving federal assistance, including the existence of any civil rights access complaints against the applicant;

C

In Section VI.4(a), page 46, the applicants state services are provided on a first come-first served basis with emphasis on difficult to place residents. See Exhibit 16 for the Admissions Agreement. In Section VI.4(c), page 46, the applicants state:

“Financial circumstances have no bearing on the resident status. A private pay patient that becomes Medicaid eligible will simply have their services paid by the Medicaid program.”

In Section VI.5(a), page 47, the applicants state they are not aware of any civil rights access complaints having been filed against them. The application is conforming to this criterion.

- (c) That the elderly and the medically underserved groups identified in this subdivision will be served by the applicant's proposed services and the extent to which each of these groups is expected to utilize the proposed services; and

C

In Section VI.3, page 46, the applicants project the following payor mix for the second operating year:

Payor Category	NF	ACH
Private Pay	10.00%	50.00%
Medicare	18.00%	0.00%
Medicaid	70.00%	0.00%
County Assistance	0.00%	50.00%
Other (Hospice)	2.00%	0.00%
Total	100.00%	100.00%

The applicants demonstrate that the proposed replacement nursing facility will provide adequate access to medically underserved populations. Therefore, the application is conforming to this criterion.

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

C

In Section VI.6, page 47, the applicants state:

“South Village is an existing facility and currently receives referrals from a number of sources including local physicians, local department of social services, and local hospitals.”

The applicants give the following referral sources as examples: Nash General Hospital, Life Care and Wilson Medical Center.

The applicants adequately demonstrate they will offer a range of means by which patients will have access to the proposed nursing facility and adult care home beds. Therefore, the application is conforming to this criterion.

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

C

In Section V.1, page 42, the applicants state:

“The facility is not currently providing this service but anticipates to begin providing this service in the near future. See letter from Stephanie Terry, Chair of the Halifax Community College School of Nursing filed as Exhibit 11.”

Exhibit 11 contains a copy of a letter from Ms. Terry acknowledging South Village’s proposed project and expressing interest in using South Village as a clinical training site.

The applicants adequately demonstrate that the proposed project will accommodate the clinical needs of health professional training programs. Therefore, the application is conforming to this criterion.

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

favorable impact on cost-effectiveness, quality, and access to the services proposed, the applicant shall demonstrate that its application is for a service on which competition will not have a favorable impact.

C

The applicants propose to relocate 100 NF beds and 15 ACH beds to a newly constructed replacement facility within Rocky Mounty, Nash County, approximately eight miles from the existing facility.

In Section III.1(d), pages 21-22, the applicants discuss how any enhanced competition in the service area will have a positive impact upon the cost-effectiveness, quality, and access to the proposed services. The applicants state:

“Of the 5 nursing facilities in Nash County, three are operating at occupancy rates over 90% (with two of those three over 95%), one is operating at approximately 89%, and South Village is operating at 81%. ... Given this, the overall county occupancy rate, although not at 100%, is essentially at operational capacity.

Based on a review of most recent license renewal data, there was an Occupancy Rate of 71.82% for all adult care homes in Nash County, but 3 have occupancy rates of greater than 90%. Prior adult care home cost report databases have demonstrated that newer homes almost universally achieve higher occupancy rates. ... Given that 3 facilities within the county had occupancy rates over 90%, it is clear there is a need for additional provider of choice adult care home facilities in the county to provide care to the medically underserved. See Exhibit 6.

...

It is evident this relocation and replacement facility is necessary to serve the medical needs of the residents of Nash County. Denial of this project would require the medically underserved residents currently located at the existing facility to be housed in less than optimum conditions and eliminate the possibility of the provision of additional “provider of choice” beds to the medically underserved within Nash County.”

See also Sections II, III, V, VI, and VII where the applicants discuss the impact of the project on cost-effectiveness, quality, and access. The information provided by the applicants in those sections is reasonable and credible and adequately demonstrates that any enhanced competition in the service area includes a positive impact on the cost-effectiveness, quality and access to the proposed services. This determination is based on the information in the application and the following analysis:

- The applicants adequately demonstrate the need to replace and relocate the 100 NF and 15 ACH beds within Nash County and that it is a cost-effective alternative;
- The applicants adequately demonstrate that South Village will provide quality services; and

- The applicants adequately demonstrate that South Village will provide adequate access to medically underserved populations.

The application is conforming to this criterion.

- (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

According to the Nursing Home Licensure and Certification Section, DHSR, within the 18 months immediately preceding the date of this decision, there were incidents for which licensure penalties, suspension of admissions, provisional license, or certification deficiencies that would constitute substandard quality of care were imposed on the facility. South Village was cited for immediate jeopardy on January 2, 2014: CFR 42 §483.10(b)(11) and 483.25. §483.25 falls into the Substandard Quality of Care grouping. Substantial compliance was found on February 5, 2014. A subsequent survey on April 10, 2014 found no deficiencies. As stated in the discussion in Criterion (3), which is hereby incorporated by reference as if set forth fully herein, Rocky Mount Health and Rehabilitation did not begin operating South Village until May 1, 2014. Therefore, the application is conforming with this criterion

- (21) Repealed effective July 1, 1987.
- (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 Criteria and Standards for Nursing Facility or Adult Care Home Facility Services, promulgated in 10A NCAC 14C .1100, are not applicable because the applicants do not propose to establish new nursing facility or adult care home beds.