

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

DATE: July 29, 2014
PROJECT ANALYST: Celia C. Inman
TEAM LEADER: Lisa Pittman

PROJECT I.D. NUMBER: G-10291-14 / Moravian Home, Inc. d/b/a Salemtowne / Replace nursing facility and develop 16 additional nursing beds pursuant to Policy NH-2 and 20 memory support adult care home beds pursuant to LTC-1 / Forsyth

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

Moravian Home, Inc., d/b/a Salemtowne is licensed by the North Carolina Department of Insurance (NC DOI) as a Continuing Care Retirement Community (CCRC). It is located at 1000 Salemtowne Drive, Winston-Salem, Forsyth County. As a CCRC, Salemtowne is designed to serve different levels of living, ranging from independent through assisted living and skilled nursing care. The CCRC currently consists of the following living units:

- 172 independent living residences
 - 99 independent living apartments
 - 40 apartments in the Vogler Building/Bahnson Hall
 - 59 apartments in the Driscoll Building
 - 73 independent living cottages
 - 22 Wachovia Village Cottages
 - 31 Salem Village Cottages
 - 20 Bethabara Place Cottages
- 46 general adult care home (ACH) beds

- Masten Assisted Living Center (MALC)
- Upon completion of the proposed project, the 46-bed MALC will be separately licensed
- 84 nursing facility beds
 - Phillips Health Care Center (PHCC)
 - Includes an 18-bed memory support unit

The campus also includes a Community Center with a fitness center and pool, walking trails, and a four-acre lake.

In Section I, page 12, the applicant states:

“The proposed replacement and expansion, which is the subject of this application, involves the 84-bed licensed nursing facility, Phillips Health Care Center. Please note that Salem towne is concurrently submitting an exemption notification to replace its existing 46-bed general adult care home facility (Masten Assisted Living Center) pursuant to the exemption provision set forth under N.C. GEN. STAT. § 131E-184(e), Exhibit 4.”

Upon completion of this project, the applicant states its intent to renovate the vacated nursing facility to house its existing 46 adult care beds. The applicant submitted an Exempt from Review notification to the CON Section relative to its intentions to replace and relocate the 46 adult care beds.

The table below summarizes the current and proposed number of units and beds at completion of this project (replace and expand Phillips Health Care Center nursing facility; add 16 nursing facility beds and 20 memory support adult care home beds) and the replacement of the 46-bed adult care facility, which is exempt from review.

Salem towne Continuing Care Retirement Center

	Independent Living Units	Phillips Health Care Center		Separately Licensed-MALC
		Adult Care Home Beds	Nursing Facility Beds	Adult Care Home Beds
Current	172	46	84	
Proposed Addition of Beds	0	+20	+16	
Proposed Replacement of Beds to be Separately Licensed		-46		+46
Total Upon Completion	172	20	100	46

Upon completion of this project and the exempt ACH bed replacement project described above, the Phillips Health Care Center (100 nursing facility beds and 20 memory support adult care beds) and the Masten Assisted Living Center (46

general adult care home beds) will no longer be located adjacent to one another and as such, as confirmed by the Chief of the Nursing Home Licensure and Certification Section, will be separately licensed.

There are no need determinations in the 2014 State Medical Facilities Plan (SMFP) applicable to the review of this proposal. Because Salem towne is a CCRC and is applying to add skilled nursing beds and memory support adult care home beds pursuant to the CCRC exemptions in the 2014 SMFP, Policies NH-2 and LTC-1 are applicable to this review. Policy NH-8 and Policy GEN-4 also apply to this review. Each of the policies are discussed below.

Policy NH-2: Plan Exemption for Continuing Care Retirement Communities

Policy NH-2, on pages 26-27 of the 2014 SMFP, is applicable to the review of this proposal. Policy NH-2 states:

“Qualified continuing care retirement communities may include from the outset, or add or convert bed capacity for nursing care without regard to the nursing care bed need shown in Chapter 10: Nursing Care Facilities. To qualify for such exemption, applications for certificates of need shall show that the proposed nursing care bed capacity:

- (1) *Will only be developed concurrently with or subsequent to construction on the same site of facilities for both of the following levels of care:*
 - a. *independent living accommodations (apartments and homes) for people who are able to carry out normal activities of daily living without assistance; such accommodations may be in the form of apartments, flats, houses, cottages and rooms;*
 - b. *licensed adult care home beds for use by people who, because of age or disability, require some personal services, incidental medical services and room and board to assure their safety and comfort.*

- (2) *Will be used exclusively to meet the needs of people with whom the facility has continuing care contracts (in compliance with the North Carolina Department of Insurance statutes and rules) who have lived in a non-nursing unit of the continuing care retirement community for a period of at least 30 days. Exceptions shall be allowed when one spouse or sibling is admitted to the nursing unit at the time the other spouse or sibling moves into a non-nursing unit, or when the medical condition requiring nursing care was not known to exist or be*

imminent when the individual became a party to the continuing care contract.

- (3) *Reflects the number of nursing care beds required to meet the current or projected needs of residents with whom the facility has an agreement to provide continuing care after making use of all feasible alternatives to institutional nursing care.*
- (4) *Will not be certified for participation in the Medicaid program.”*

With respect to conformance with the above requirements, on pages 91-93, the applicant states:

“The additional nursing facility beds are being proposed to be operated concurrently with the existing adult care home beds and independent living units on the same CCRC campus as the proposed beds.

...

The 16 nursing facility beds will be used exclusively to meet the needs of persons with whom the facility has continuing care contracts and who have lived in a non-nursing unit of the CCRC community for a period of at least 30 days, except as otherwise provided under Policy NH-2.

...

The addition of 16 licensed nursing facility beds is needed to meet the expected demand of residents with whom the facility has an agreement to provide continuing care in the near term.

...

The proposed additional 16 nursing facility beds will not participate in the Medicaid program or serve state or county special assistant recipients.”

The applicant adequately demonstrates conformance of its proposed project with Policy NH-2 in the 2014 SMFP.

Policy NH-8: Innovations in Nursing Facility Design

Policy NH-8, on page 30 of the 2014 SMFP, is applicable to the review of this proposal. Policy NH-8 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.4, pages 94-98, the applicant discusses Salem towne’s commitment to the pursuit of innovative approaches in care and work place practices, along with environmental design, to promote resident wellness and life enrichment. On page 95, the applicant states:

“The overarching goal of the replacement facility is to provide a sensitive and supportive atmosphere that leads residents to maximize their life satisfaction by promoting quality care through health and wellness programs and services, as well as providing personal assistance in a pleasant, friendly, safe and non-intrusive environment.

...

Salem towne’s care practices are resident driven, not facility driven.

...

Unlike the traditional nursing facility that encourages staff members to adhere to routines designed to be efficient for the staff that provides the needed care, Salem towne staff members are encouraged to work with the residents to determine what works well for them.”

The applicant discusses facility design and its household model on pages 96-97, stating:

“The proposed replacement facility will be non-institutional in nature and design. That is, the proposed replacement facility will incorporate design elements that will encourage less institutional, more home-like settings, privacy, autonomy and resident choice.

...

All of the rooms will be private. The households will have access to the outside, which will encourage residents to maintain their mobility and to enjoy being outside. In addition, the residents have access to all the other features of the Salem towne CCRC campus, including highly developed landscaped areas and gardens, and a network of walkways around the campus.

...

As noted previously, each of the households will also include a kitchen.”

The applicant adequately demonstrates that the proposed project includes innovative approaches in care practices, work place practices, and environmental design that address quality of care and quality of life needs of the residents as required of Policy NH-8. Therefore, the application is consistent with Policy NH-8.

Policy LTC-1: Plan Exemption for Continuing Care Retirement Communities – Adult Care Home Beds

Policy LTC-1, on page 30 of the 2014 SMFP, is applicable to the review of this proposal. Policy LTC-1 states:

“Qualified continuing care retirement communities may include from the outset, or add or convert bed capacity for adult care without regard to the adult care home bed need shown in Chapter 11: Adult Care Homes. To qualify for such exemption, applications for certificates of need shall show that the proposed adult care home bed capacity:

- (1) *Will only be developed concurrently with, or subsequent to construction on the same site, of independent living accommodations (apartments and homes) for people who are able to carry out normal activities of daily living without assistance; such accommodations may be in the form of apartments, flats, houses, cottages, and rooms;*
- (2) *Will provide for the provision of nursing services, medical services, or other health related services as required for licensure by the N.C. Department of Insurance.*
- (3) *Will be used exclusively to meet the needs of people with whom the facility has continuing care contracts (in compliance with the North Carolina Department of Insurance statutes and rules) who have lived in*

a non-nursing unit or adult care unit of the continuing care facility for a period of at least 30 days. Exceptions shall be allowed when one spouse or sibling is admitted to the adult care home unit at the time the other spouse or sibling moves into a non-nursing or adult care unit, or when the medical condition requiring nursing or adult care home care was not known to exist or be imminent when the individual became a party to the continuing care contract.

- (4) *Reflects the number of adult care home beds required to meet the current or projected needs of residents with whom the facility has an agreement to provide continuing care, after making use of all feasible alternatives to institutional adult care home care.*
- (5) *Will not be certified for participation in the Medicaid program or serve State-County Special Assistance recipients.”*

With respect to conformance with the above requirements, on pages 88-90, the applicant states:

“The proposed project involves the development of 20 memory support adult care home beds for the exclusive use of residents of a continuing care retirement community as specified by Policy LTC-1.

...

The proposed additional adult care home beds will be developed subsequent to construction on the same site of independent living accommodations for residents able to carry out normal activities of daily living without assistance.

...

The proposed project will provide for the provision of nursing services, medical services, or other health related services as required for licensure by the North Carolina Department of Insurance.

...

The proposed memory support adult care home beds will be used exclusively to meet the needs of persons with whom the facility has continuing care contracts and who have lived in a non-nursing or adult care unit of the CCRC community for a period of at least 30 days, except as otherwise provided under Policy LTC-1.

...

The development of 20 licensed memory support adult care home beds is needed to meet the demand of residents with whom the facility has an agreement to provide continuing care in the near term.

...

The proposed 20 memory support adult care home beds will not participate in the Medicaid program or serve state or county special assistant recipients.”

The applicant adequately demonstrates conformance of its proposed project with Policy LTC-1 in the 2014 SMFP.

Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities

Policy GEN-4, on page 38 of the 2014 SMFP, is applicable to this review. Policy GEN-4 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 of 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.4, beginning on page 98, the applicant addresses Policy GEN-4 and its energy plan, stating:

“Salem towne will develop and implement an Energy Efficiency and Sustainability Plan that conforms to or exceeds energy efficiency and water conservation standards in the latest editions of the North Carolina State Building Codes. The plan shall not adversely affect patient or resident health, safety, or infection control. The design of the proposed facility will incorporate materials and equipment which enhance the containment of utilities and energy costs. Salem towne’s plan for the proposed project will include, but not be limited to:

- *Utilization of a hot water recirculation system*
- *Compliance with energy standards*
- *Employment of mechanical system energy recovery systems*
- *Utilization of variable refrigerant flow heat pumps or water-source heat pumps in resident rooms*

Prior to completion, Salem towne will implement Energy Efficiency and Sustainability plans, policies, and guidelines for staff to follow, further ensuring continuous energy / water use monitoring and awareness. Periodic staff training and in-servicing on techniques to reduce energy and water use will be held to make sure that staff does not become complacent over time with respect to energy / water efficiency.”

The applicant adequately demonstrates the proposal includes a plan to assure improved energy efficiency and water conservation.

The applicant adequately demonstrates conformance of its proposed project with Policy NH-2, Policy NH-8, and Policy LTC-1. Therefore, the application is conforming with the applicable policies in the 2014 SMFP and thus is conforming with this Criterion, subject to Condition 3 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

Salemtowne is licensed by the NC DOI as a Continuing Care Retirement Community. It is located in Winston-Salem, Forsyth County. The applicant proposes to add 16 additional nursing facility beds and 20 memory support ACH beds to the Phillips Health Care Center nursing facility for a total of 100 nursing facility beds and 20 ACH beds upon completion of this project and the exempt relocation and replacement of the 46-bed MALC, for which the applicant has concurrently submitted an exemption notification. The exemption letter notifies the Certificate of Need Section of the Division of Health Service Regulation of Salemtowne's intent to replace the existing 46-bed Masten Assisted Living Center adult care home and relocate it to the vacated nursing facility space once the proposed project is complete.

In Section III.4, beginning on page 88, the applicant states that the 16 nursing facility beds and the 20 ACH beds will be available exclusively to persons with a continuing care contract with Salemtowne, in accordance with State Medical Plan Policies NH-2 and LTC-1.

Population to Be Served

In Section III.9, page 103, the applicant provides a table showing that all of the proposed Salemtowne residents will be residents of Forsyth County. On page 104, the applicant states:

“Since the project involves the replacement and addition of beds to a retirement community, Salemtowne assumes that the projected patient origin will remain the same as historical, with 100 percent of the patients of it facility originating from Forsyth County.”

The applicant further states:

“Based on current patient origin data, Salemtowne believes that 100 percent of its population lives within 45 minutes driving time of its facility. In particular, as noted above, 100 percent of the patients of its skilled nursing facility originated from Forsyth County, which is fully accessible within 45 minutes driving time from Salemtowne.”

The applicant's 2014 License Renewal Application (LRA) provides data showing 100% of its FY2013 nursing facility residents are from Forsyth County. The LRA shows one ACH resident was from outside Forsyth County. However, the 20 ACH beds that are the subject of this application, in accordance with LTC-1, will serve only existing Salemtowne CCRC residents who are therefore within the

45 minutes driving time. The applicant adequately identified the population to be served.

Need for Proposed Services

The applicant states in Section III.1, page 67:

“The sole need to add nursing facility and memory support adult care home beds relates to the growth in demand for these services as the existing community matures, as all of the beds proposed in conjunction with this project are Policy NH-2 or Policy LTC-1 beds. In order to meet the projected need for healthcare services in its aging community, Salemtowne proposes to replace its existing skilled nursing facility and develop 16 new nursing facility beds as well as develop 20 memory support adult care home beds. By pro-actively preparing for what is inevitable, Salemtowne will be better able to manage the large numbers of residents requiring these types of services.”

At present, none of the existing 84 nursing facility beds or 46 adult care home beds are NH-2 or LTC-1 (CCRC resident only) beds. The general nursing facility beds and the Alzheimer’s special care beds currently operate at 94% and 96% occupancy, respectively. On page 93, the applicant discusses its master site plan/vision for the community, stating:

“Salemtowne anticipates developing between 24 and 60 new independent living residences to accommodate the growing number of people requesting to become residents of the community.”

Population Growth and Ageing

The population of Forsyth County, in particular the 65 and older cohort, is projected to grow substantially over the next five years, as shown by the applicant on page 69 and in the table below.

Population Estimates and Projections

	2014	2019	CAGR
<i>Forsyth, 65 Years and Older</i>	52,430	61,131	3.1%
<i>Forsyth, Total</i>	365,182	382,327	0.9%
<i>North Carolina</i>	9,978,483	10,509,938	1.0%

Source: North Carolina Office of State Budget and Management

*CAGR = Compound Annual Growth Rate

As the table above shows, the compound annual growth rate (CAGR) of the population aged 65 and older is projected to be 3.1% over the next five years. The applicant states:

“As such, the projected growth in Forsyth County’s population (age 65 and older) supports Salemtowne’s need to expand its existing CCRC. In particular, given the limited capacity of its existing nursing facility (see discussion below), Salemtowne realizes that it must increase its number of nursing facility and adult care home beds in order to properly care for the growing number of residents in its independent living units that will require these higher levels of care as well as retirees in the area looking for an independent living residence (who as they age, will require higher levels of healthcare services within the CCRC). At present, 49 individuals are on the waiting list for independent living residences.”

The applicant states that Salemtowne is also licensed by the NC DOI to operate a continuing care services program without lodging. This program is referred to as “Navigation by Salemtowne”, “Salemtowne Continuing Care at Home”, and “Salemtowne at Home”. The applicant states that the mission of the home care program is to provide coordination of care for older adults who wish to remain in their own homes in their later years. Salemtowne’s goal is to combine the security of a continuing care retirement community with the freedom and autonomy of living at home. Services are provided in the home for as long as is practical. As these patients mature and require higher levels of care, they may choose to move into one of the healthcare facilities on the CCRC campus.

Proposed Replacement

The applicant discusses the need to replace the existing nursing facility on pages 68 and 74-81, stating that the configuration of the existing nursing facility, combined with changes in the healthcare industry, have resulted in a facility that is out of date, cannot be easily renovated, and does not efficiently accommodate today’s healthcare service delivery. Phillips Health Care Center opened in 2000 with what the applicant describes as an institutional design which has resulted in operational issues that cannot be efficiently remedied with renovation. On page 75, the applicant states:

“As illustrated in the line drawings, the configuration of the nursing facility beds, which are housed on long double-loaded corridors, is not conducive to the household model of care.”

The applicant states that the corridors are lit by harsh lighting, creating a grim, institutional environment that looks the same no matter the time of day and thus provides no visual cues to assist residents with time differentiation, which can disturb natural sleep cycles and lead to insomnia and anxiety.

Phillips Health Care Center has 74 private rooms and 10 semi-private beds in five rooms. On page 76, the applicant states that the institutional design continues into the patient rooms, noting that the rooms are undersized and do not have a private shower. The showers are located in a shared bathing space which the applicant says is less than ideal and may negatively impact residents' sense of dignity causing them to feel belittled, devalued, or humiliated.

The applicant states that the proposed household design will provide Salem towne residents with a state-of-the-art home-like environment where personal choice, privacy and dignity are the hallmarks of care, which will improve the resident's quality of life. The applicant further states that the proposed replacement facility will provide right-sized patient rooms, measuring 300 square feet, and include a private bathroom with a toilet and a shower. Each household will have its own living room, activity room, dining room and kitchen.

On page 79, the applicant states:

“The proposed design will improve residents’ sense of dignity by allowing them to choose how and when they want to bathe. Moreover, as noted previously, the design of the proposed replacement facility will maximize the use of natural light, which will contribute to improved patient well-being and create a more efficient building.”

Proposed Expansion/Addition of Beds

On page 81, the applicant states that as a CCRC that has committed to provide a continuum of care for its residents for the rest of their lives, Salem towne believes the additional 16 nursing facility beds represent a necessary expansion of the Salem towne community. In particular, Salem towne believes that these additional beds are needed to address existing capacity constraints and meet the needs of its existing residents as well as new residents who may join the community in the future as the population of Forsyth County continues to age. Further, the applicant states that the development of the proposed 20-bed memory support adult care home unit is needed to address the needs of Salem towne's residents for these specialized services.

Nursing Beds

In Section III.1, page 71, the applicant states that Salem towne's skilled nursing facility beds have consistently experienced high occupancy rates and continuously operate at or near capacity. The table on page 71 shows that Salem towne's nursing facility beds have operated at 94% occupancy for the most recent nine months prior to submission of the application, with four of the nine months being at 95% and above. The 18 memory care NF beds operated at 96% occupancy for

the same period. At present, the 84 nursing facility beds are open beds, meaning these beds are open to the public for direct admissions, and not “sheltered” or restricted to accepting only Salem towne CCRC residents. Although the 84 beds are open, the applicant notes that for the last three to four years, most of the beds have been filled by residents of Salem towne. On page 72, the applicant states:

“As such, notwithstanding the fact that the existing beds are open beds, Salem towne is currently self-filling Phillips Health Care Center with residents of the CCRC community. Further, as reflected in the facility’s most recent License Renewal Application, Exhibit 1, 99 percent of Phillips Health Care Center’s nursing residents were over the age of 75 in FFY 2013. As the residents of the community age, they will require greater assistance, and therefore a higher level of care.”

The applicant further states that given the high demand for nursing facility beds, there are many instances in which the beds are full and therefore unavailable to CCRC residents who may need this level of care. CCRC residents requiring this level of care when the nursing facility is full must be transferred off campus to another nursing facility to receive the care needed. On page 72, the applicant states that the proposed project will add the capacity necessary to ensure that adequate capacity is available for residents of the CCRC when needed; further stating:

“Moreover, development of the proposed beds will provide the optimal environment for residents requiring these services (obviating the need to transfer patients off campus to receive the level of care they need in the optimal setting).”

Moreover, the applicant states that by adding sheltered bed capacity, Salem towne is in essence also expanding its ability to admit patients from the outside (or public). As such, while the sole need for the additional skilled nursing bed capacity is due to internal demand for skilled nursing care for the CCRC’s residents, the additional capacity also increases the likelihood of a bed occasionally being available to an outside admission.

On page 80, the applicant states that the existing facility is grossly undersized and that the lack of adequate and appropriately configured space compromises the quality of services. The existing facility occupies only 44,567 total square feet of space, with 712 square feet of rehabilitation services space and 2,074 square feet of activity services space.

In contrast, the applicant states the proposed replacement facility will occupy 118,498 total square feet with rehabilitation/therapy services located adjacent to resident households and occupying a total of 4,000 square feet. The household

design in the proposed facility allows for a total of 9,040 square feet of space for activity services in the common core and the resident households.

On page 92 of the application, the applicant states that Salemtowne is proposing to add 16 additional nursing facility beds to not only meet the demand of its residents as they mature, but also to address future growth of the community associated with the demand for independent living residences. The applicant states:

“In so doing, Salemtowne acknowledges that its priority, given the limited capacity of its existing nursing facility, is to develop additional nursing facility beds to address immediate capacity constraints. Of note, these capacity constraints make it difficult to fully understand the demand for nursing facility services. Further, potential residents looking for an independent living unit may choose to become members of another CCRC if they are concerned about Salemtowne’s lack of available nursing facility capacity (the services of which they would require at some point along their continuum of care). By addressing these immediate constraints, Salemtowne will be better able to identify the growth in, and demand for, its services.”

The applicant states that Salemtowne will also continue to monitor the need to expand its independent living residences as the population ages and the demand for services increases. In fact, the applicant says that Salemtowne anticipates developing between 24 and 60 new independent living residences to accommodate the growing number of people requesting to become residents of the community. Salemtowne expects that the new independent living residences will equate to approximately 36 to 90 additional independent living residents and states on page 93:

“Of note, any future expansion of Salemtowne’s independent living residences will ultimately lead to increased demand for healthcare services.”

The National Center for Assisted Living (NCAL) reports that nine percent of assisted living residents come to the ACH facility from a retirement or independent living community and 59 percent of the residents moving out of an ACH facility will move into a nursing facility.¹ In reference to continuing care communities, on average, an older resident in the United States will live in a congregate living facility for just over three years, the assisted living facility for one year, and the skilled nursing facility for nine months.²

On page 93, the applicant states:

¹ <http://www.ahcancal.org/ncal/resources/Pages/ResidentProfile.aspx>

² http://en.wikipedia.org/wiki/Continuing_care: America seniors Housing Association, 2002

“The addition of 16 licensed nursing facility beds is needed to meet the expected demand of residents with whom the facility has an agreement to provide continuing care in the near term. As residents continue to age in place, Salemtowne may find it will require additional capacity in the long-term. However, that capacity would not likely be utilized in the near future and thus could not be effectively be [sic] developed at this time. In addition, Salemtowne will continue to make home health and other in-home services available to its residents, which will enable the facility to make use of all feasible alternatives prior to institutional nursing care.”

The applicant also notes that the number of beds proposed is optimal from an operational standpoint, relative to staffing and the household model. The proposed 16 beds plus the existing 84 beds will allow for the development of five 20-bed nursing facility households.

Memory Support Adult Care Home Beds

Salemtowne operates 172 independent living units (apartments and homes/cottages) as a licensed CCRC along with a nursing facility which provides both nursing facility beds and adult care beds. Salemtowne currently operates 18 of its nursing facility beds as memory support beds. In conjunction with the proposed project, Salemtowne proposes to develop 20 new licensed memory support adult care home beds as part of the replacement combination nursing facility. Upon completion of the proposed project, Salemtowne will operate all of its nursing facility beds (84 existing and 16 proposed) as general nursing facility beds.

Currently, there are no memory support adult care home beds in operation at Salemtowne. Without memory support adult care beds, Salemtowne’s existing patients in need of these services must be cared for in Salemtowne’s skilled nursing special care beds. The residents in need of memory support care often do not need the “skilled nursing” level of care, rather they would be better served in an assisted living setting, designed for memory care. The lack of memory care in the assisted living setting creates two issues. First, patients needing memory support must be cared for in the highest level care available, skilled nursing, which is also the most costly setting. Second, caring for these patients in skilled nursing beds prevents other patients that need the highest level of care available from being placed in skilled nursing beds at Salemtowne. On page 70, the applicant states that Salemtowne’s existing facility is not supportive of the special needs of memory care residents. On page 82, the applicant discusses the design of the existing nursing facility and its memory support nursing beds and states that it does not effectively accommodate behavioral changes, maximize the abilities of each resident, promote safety, or encourage independence.

On page 90, the applicant discusses the need for the proposed memory support ACH beds, stating:

“As noted in Section III.1, Salem towne has identified 17 residents in its existing skilled nursing facility beds who require memory support services, but do not need skilled nursing care and would therefore be more appropriately cared for in an adult care home memory support unit. As such, it is important to note that Salem towne could fill the proposed beds based on its internal need alone, without admitting any patients from the public.”

The applicant further states the development of 20 licensed memory support adult care home beds is needed to meet the demand of residents with whom the facility has an agreement to provide continuing care in the near term. Per the applicant, given the increasing prevalence of Alzheimer’s and other dementia related diseases, the need for memory support services is clear. The applicant states the proposed project will create a safe environment that will support these residents and allow them to live as productive and active lives as possible. Further, the applicant reiterates, the number of beds proposed (20) is optimal from an operational standpoint relative to staffing ratios for the household model. The applicant states on page 70 of the application, *“...Salem towne can more appropriately and cost effectively provide memory support services, while at the same time not negatively impacting residents that may require memory support and skilled nursing services.”*

Projected Utilization

The applicant provides information to develop the following utilization projections on pages 110-111.

Table IV.2 Projected Utilization Partial FFY (July 1, 2017 - Sept 30, 2017)

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
	10/1/16- 12/31/16	1/1/17- 3/31/17	4/1/17-7- 6/30/17	7/1/17- 9/30/17	
Nursing Facility					
Patient Days - Existing Beds				5,704	5,704
Patients Days- Additional /Vacated Beds				1,952	1,952
Patient Days -Total				7,656	7,656
Occupancy Rate				83%	83%
Number of Beds				100	100
Adult Care Home (Memory Support)					
Patient Days				1,564	1,564
Occupancy Rate				85%	85%
Number of Beds				20	20

Table IV.2 Projected Utilization First FFY (Oct 1, 2017 - Sept 30, 2018)

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
	10/1/17- 12/31/17	1/1/18- 3/31/18	4/1/18- 6/30/18	7/1/18- 9/30/18	
Nursing Facility					
Patient Days - Existing Beds	5,704	5,580	5,642	5,704	22,630
Patients Days- Additional /Vacated Beds	2,944	2,880	2,912	2,944	11,680
Patient Days -Total	8,648	8,460	8,554	8,648	34,310
Occupancy Rate	94%	94%	94%	94%	94%
Number of Beds	100	100	100	100	100
Adult Care Home (Memory Support)					
Patient Days	1,564	1,530	1,547	1,564	6,205
Occupancy Rate	85%	85%	85%	85%	85%
Number of Beds	20	20	20	20	20

Table IV.2 Projected Utilization Second FFY (Oct 1, 2018 – Sept 30, 2019)

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
	10/1/18- 12/31/18	1/1/19- 3/31/19	4/1/19- 6/30/19	7/1/19- 9/30/19	
Nursing Facility					
Patient Days - Existing Beds	5,704	5,580	5,642	5,704	22,630
Patients Days- Additional /Vacated Beds	2,944	2,880	2,912	2,944	11,680
Patient Days -Total	8,648	8,460	8,554	8,648	34,310
Occupancy Rate	94%	94%	94%	94%	94%
Number of Beds	100	100	100	100	100
Adult Care Home (Memory Support)					
Patient Days	1,564	1,530	1,547	1,564	6,205
Occupancy Rate	85%	85%	85%	85%	85%
Number of Beds	20	20	20	20	20

Table IV.2 Projected Utilization Third FFY (Oct 1, 2019 - Sept 30, 2020)

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
	10/1/19- 12/31/19	1/1/20- 3/31/20	4/1/20- 6/30/20	7/1/20- 9/30/20	
Nursing Facility					
Patient Days - Existing Beds	5,704	5,580	5,642	5,704	22,630
Patients Days- Additional /Vacated Beds	2,944	2,880	2,912	2,944	11,680
Patient Days -Total	8,648	8,460	8,554	8,648	34,310
Occupancy Rate	94%	94%	94%	94%	94%
Number of Beds	100	100	100	100	100
Adult Care Home (Memory Support)					
Patient Days	1,564	1,530	1,547	1,564	6,205
Occupancy Rate	85%	85%	85%	85%	85%
Number of Beds	20	20	20	20	20

Assumptions for proposed project years:

- Project start date is July 1, 2017; project will be operational for three months of federal fiscal year 2017 (July 1, 2017 – September 30, 2017 or 92 days)
- First full federal fiscal year begins October 1, 2017.

Assumptions for existing nursing facility beds:

- Projections are based on historical occupancy rates and average daily census (ADC)
 - The historical occupancy rate of 94% corresponds to an ADC of 79, based on 84 patients
 - All 100 nursing facility beds will be general skilled nursing with no special care unit nursing facility beds
 - 17 patients have been identified to be moving to the proposed 20 memory support adult care unit
 - 17 patients were deducted from the 79 ADC, leaving 62 nursing facility patients and an ADC of 62
- Based on the assumed ADC of 62, the existing nursing facility patients are estimated to generate 5,704 patient days in the three months of partial federal fiscal year 2017 (62 patients x 92 days)
- Projected annual patient days for the existing nursing facility patients were calculated by multiplying the historical ADC by the projected operational days within the period (62 patients x 365 days = 22,630 days annually)

Assumptions for the proposed 16 additional nursing facility beds and the 17 vacated nursing facility beds:

- At the assumed fill up rate of 4 per week, 16 residents will move in during the first month of operation and 16 will move in during the second month of operation
- The ADC for the 33 beds (16 additional and 17 vacated) is projected to be 32

- Based on the assumed ADC of 32 by the third month of operation, these beds are estimated to generate 1,952 patient days in the three months of partial federal fiscal year 2017

	Net Move-ins	Net Cumulative Census	Cumulative Avg Census	Days in Month	Patient Days	Occupancy Rate
July 2017	16	16	8	31	248	24%
August 2017	16	32	24	31	744	73%
September 2017		32	32	30	960	97%
Total					1,952	

- Based on the assumed ADC, these beds are estimated to annually generate 11,680 patient days in each of the first three full federal fiscal years following completion of the project (32 patients x 365 days)

Assumptions for the proposed 20-bed memory support adult care unit

- The 17 patients that vacated nursing facility beds will occupy 17 memory support beds at project completion and that utilization will continue throughout the first three full federal fiscal years
- Based on the assumed ADC, the memory support beds are estimated to generate 1,564 patient days in the three months of partial federal fiscal year 2017 (17 patients x 92 days)
- Based on the assumed ADC, the memory support beds are estimated to generate 6,205 patient days annually in each of the first three full federal fiscal years following completion of the project (17 patients x 365 days)

The applicant provides sufficient documentation to demonstrate the reasonableness of the utilization projections, as stated on pages 108-111 and above. Thus, the applicant documents the need for the replacement of the nursing facility and the proposed additional nursing facility beds and memory support ACH beds to meet the internal needs of existing and prospective Salemtowne residents based on Policy NH-2 and Policy LTC-1.

Access

As described in Criterion (1), the applicant, a CCRC, is proposing to replace its existing nursing facility and develop additional nursing beds and memory support adult care home beds in conformance with Policy NH-2 and Policy LTC-1, respectively. The discussions on access in Criteria (1) and (13) are hereby incorporated by reference as if set forth fully herein.

The applicant adequately demonstrates it will provide access to its services in conformance with Policy NH-2 and Policy LTC-1.

In summary, the applicant adequately identifies the population to be served, adequately demonstrates the need the population to be served has for the proposed project and demonstrates the proposed population will have adequate access to the services. Therefore, the application is conforming with 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.

NA

- (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, beginning on page 82, the applicant discusses the alternatives considered prior to submission of this application, which include:

- 1) Maintain the status quo – the applicant states that maintaining the status quo was not considered to be a viable option because it would not be in the best interest of residents of Salem towne, as it would not address the need for additional nursing facility beds or the need for memory support adult care home bed capacity to adequately serve the residents of the CCRC. The applicant states that maintaining status quo would mean that more and more residents of Salem towne requiring nursing facility services would have to be transferred off campus to another nursing facility to receive the care needed.

Maintaining the status quo relative to memory support services would mean that residents requiring specialized dementia care would not receive these services in the optimal setting. As stated earlier, Salem towne currently provides memory support services at Phillips Health Care Center in nursing facility beds. The applicant states the design of the existing nursing facility is not supportive of the special needs of memory care residents and does not effectively accommodate behavioral changes, maximize the abilities of each resident, promote safety, or encourage independence.

- 2) Develop memory support adult care home beds within the Masten Assisted Living Center – the applicant determined that this alternative was not the optimal alternative, stating:

“Masten Assisted Living Center is simply not designed to address the high risk of wandering in dementia residents. Of note, the adult care home beds in the facility are housed in 26,597 square feet of space spread across two floors. This layout is not conducive to facilitating the safety measures required in a memory support unit.”

The applicant also notes that the cinderblock construction of the assisted living facility is not compatible with current technology, such as Salemtowne’s CARETRACKER software system, which automates documentation of assistance with daily living activities. Further, the applicant says that developing the proposed memory support adult care home beds within the Masten Assisted Living Center would require additional construction to house beds and given the location of the existing facility, additional construction would be difficult without impacting independent living resident’s space. For all these reasons, the applicant determined this was not the most effective alternative.

- 3) Develop the replacement facility in an alternate location on the site of the CCRC – the applicant states that though it considered alternate locations for the replacement facility at the CCRC site, none of the alternate locations were as effective as the location proposed. Alternate locations either required the demolition of a portion of the CCRC’s independent living residences, required expensive site grading, eliminated future location for independent living expansion, or placed the replacement facility too remote from existing buildings on the campus. The applicant states that the alternative locations were not considered to be viable or cost-effective options.
- 4) Develop the 20 memory support beds as memory support nursing facility beds – the applicant states that given Salemtowne’s experience operating memory support nursing facility beds, Salemtowne has recognized that the care of memory support residents that do not require the skilled nursing facility level of care can be more appropriately and cost effectively provided in an adult care home setting. Further, based on its experience, the prevalence of Alzheimer’s and dementia related diseases is increasing rapidly in the adult care home population. Developing the memory support beds as nursing facility beds does not address that need, therefore it is not the most optimal alternative.
- 5) Develop the project as proposed – the applicant states that it chose the proposed option because developing the project as proposed meets the capacity needs of the community and will provide improved access to the required safe and appropriate environment for residents now suffering with Alzheimer’s and related dementia diseases. Further the applicant states that the number of beds proposed, six households of 20 beds, is optimal for the household design and staffing ratios; it

will create an accessible facility design that will promote staff efficiency and patient safety.

On page 87, the applicant states,

“Moreover, the proposed location of the replacement facility represents the most effective alternative as it is the least expensive to build, provides easy access, and leaves good sites available for future independent living development. In addition, development of the proposed replacement facility, unlike renovation of existing space, will not interrupt normal day-to-day operations or result in the temporary displacement of any residents during construction.

The applicant states awareness of the current moratorium on special care unit beds, but says it has no reason to believe that the moratorium will be extended past July 1, 2016 and Salem towne does not intend to occupy the proposed beds until the middle of 2017.

On page 84, the applicant states:

“Salem towne recognized the opportunity to develop the memory support unit in conjunction with, and adjacent to, its replacement nursing facility. By co-locating services that provide comparable levels of care, Salem towne can more effectively and efficiently provide these services. In addition, co-locating these services acknowledges the fact that as residents’ age, they will require higher levels of care and the incidence of dementia related diseases increases. As residents of the memory support adult care home beds mature, they can easily relocate to a skilled nursing facility bed in the same facility.

Thus, the applicant adequately demonstrates that the proposed alternative is the most effective or least costly alternative.

Furthermore, the application is conforming to all other statutory and regulatory review criteria, and thus, is approvable. A project that cannot be approved cannot be an effective alternative.

In summary, the applicant adequately demonstrates that its proposal is the least costly or most effective alternative to meet the need. Therefore, the application is conforming to this criterion and approved subject to the following conditions.

- 1. Moravian Home, Inc. d/b/a Salem towne shall materially comply with all representations made in its certificate of need application.**

- 2. Moravian Home, Inc. d/b/a Salem towne shall develop no more than 16 additional nursing facility beds for a total of 100 nursing facility beds and 20 additional adult care home beds for a total of 20 ACH beds upon completion of this project and the exempt relocation/replacement and separate licensing of the existing 46 ACH beds.**
- 3. Moravian Home, Inc. d/b/a Salem towne shall 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 representations in the written statement as described in paragraph one of Policy GEN-4.**
- 4. The 16 new nursing facility beds shall not be certified for participation in the Medicaid program.**
- 5. The 16 new nursing facility beds shall be used exclusively to meet the needs of persons with whom the facility has continuing care contracts (in compliance with the Department of Insurance statutes and regulations) who have lived in a non-nursing unit of the continuing care facility for a period of at least 30 days. Exceptions shall be allowed when one spouse or sibling is admitted to the nursing unit at the time the other spouse or sibling moves into a non-nursing unit, or when the medical condition requiring nursing care was not known to exist or be imminent when the individual became a party to the continuing care contract.**
- 6. The 20 new adult care home beds shall not be certified for participation in the Medicaid program or serve State-County Special Assistance recipients.**
- 7. The 20 new adult care home beds shall be used exclusively to meet the needs of persons with whom the facility has continuing care contracts (in compliance with the Department of Insurance statutes and regulations) who have lived in a non-nursing unit of the continuing care facility for a period of at least 30 days. Exceptions shall be allowed when one spouse or sibling is admitted to the nursing unit at the time the other spouse or sibling moves into a non-nursing unit, or when the medical condition requiring nursing care was not known to exist or be imminent when the individual became a party to the continuing care contract.**
- 8. The 16 new nursing facility beds and 20 new adult care home beds shall be developed on the same site with the independent living units.**

9. Moravian Home, Inc. d/b/a Salemtowne 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.

C

In Section VIII.1, page 142, the applicant projects that the total capital cost of the project will be \$41,928,010, as shown in the table below.

Project Capital Costs

Site Costs	\$1,849,445
Construction Costs	\$25,542,531
Equipment/Furniture	\$3,172,964
Consultant Fees	\$2,549,142
Financing/Interest During Construction	\$7,213,928
Contingency	\$1,600,000
Total Capital Cost	\$41,928,010

Exhibit 5 contains a letter from the architect which documents the facility will conform to all requirements as stated in 10A NCAC 13D and 13F. Exhibit 20 contains the construction cost estimate from the architect, dated May 8, 2014, which states:

“The estimated construction cost for the project is \$1,849,445 for site work and \$25,542,531[sic]. These figures do not include other costs, shown on schedules in this Application, for equipment, furnishings, fees, financing and other costs which are part of total project cost.”

In Section IX.1-4, page 147, the applicant states there will be no start-up and initial operating expenses required for the project.

Exhibit 13 contains a letter dated May 15, 2014 from the CFO of Salemtowne which states:

“As the Chief Financial Officer for Salemtowne, I am responsible for its financial operations. As such, I am very familiar with the organization’s financial position. The total capital cost of the project, including financing costs, is estimated to be \$41,928,010.

Moravian Home, Inc. d/b/a Salemtowne will finance the capital costs through bond issues. For verification of bond proceeds available for this project, I have enclosed a letter from John R. Franklin with BB&T Capital Markets-Municipal Markets Group. Moravian Home, Inc. d/b/a Salemtowne will use the bond funds to finance the capital costs of the proposed nursing facility replacement and expansion.”

Exhibit 13 also contains a letter from BB&T Capital Markets-Municipal Markets Group expressing their interest in and tentative commitment to providing bond financing for the proposed project.

Exhibit 14 contains the audited financial statements for Moravian Home, Inc. d/b/a Salemtowne as of March 31, 2012 and 2011. As of March 31, 2012, the applicant had cash in the amount of \$2,192,848, total current assets of \$3,613,443 and total net assets of \$25,029,768 (total assets – total liabilities).

The applicant adequately demonstrates the availability of sufficient funds for the capital needs for the proposed project.

In Section X, pages 151-154, the applicant provides current reimbursement rates and projected reimbursement rates for the first two full federal fiscal years following completion of the project as illustrated in the following tables.

**Current Reimbursement Rates/Charges
April 1, 2013 - March 31, 2014**

Payor Source	Private Room	Semi-Private Room
Nursing Unit (excluding SCU)		
Private Pay	\$262	\$237
Medicare*	\$456	\$456
Medicaid	\$271	\$247
Adult Care Home (Memory Support)		
Private Pay	N/A	N/A

*Weighted average of the facility's RUG rates

**Projected Reimbursement Rates/Charges
First Partial Federal Fiscal Year
July 1, 2017 – September 30, 2017**

Payor Source	Private Room	Semi-Private Room
Nursing Unit (excluding SCU)		
Private Pay	\$262	N/A
Medicare*	\$456	N/A
Medicaid	\$271	N/A
Adult Care Home (Memory Support)		
Private Pay	\$225	N/A

*Weighted average of the facility's RUG rates

**Projected Reimbursement Rates/Charges
First Full Federal Fiscal Year
October 1, 2017 – September 30, 2018**

Payor Source	Private Room	Semi-Private Room
Nursing Unit (excluding SCU)		
Private Pay	\$262	N/A
Medicare*	\$456	N/A
Medicaid	\$271	N/A
Adult Care Home (Memory Support)		
Private Pay	\$225	N/A

*Weighted average of the facility's RUG rates

**Projected Reimbursement Rates/Charges
Second Full Federal Fiscal Year
October 1, 2018 – September 30, 2019**

Payor Source	Private Room	Semi-Private Room
Nursing Unit (excluding SCU)		
Private Pay	\$262	N/A
Medicare*	\$456	N/A
Medicaid	\$271	N/A
Adult Care Home (Memory Support)		
Private Pay	\$225	N/A

*Weighted average of the facility's RUG rates

The applicant projects that Salemtowne CCRC revenues will exceed operating expenses in each of the first two operating years of the project, as illustrated in the table below.

Salemtowne (includes Phillips Health Care Center, Masten Assisted Living Center and independent living)	1st Full FFY (2018)	2nd Full FFY (2019)
Projected # of Patient Days	124,100	124,100
Projected Average Reimbursement Rate (Gross Patient Revenue / Projected # of Patient Days)	\$ 155.13	\$ 155.13
Gross Patient Revenue	\$ 19,251,076	\$ 19,251,076
Deductions from Gross Patient Revenue (Charity Care)	\$ 540,210	\$ 540,210
Net Patient Revenue	\$ 18,710,866	\$ 18,710,866
Other Revenue (ancillary, beauty/barber, transportation, entrance fees, investments, other)	\$ 7,081,980	\$ 7,400,980
Total Revenue	\$ 25,792,846	\$ 26,111,846
Total Expenses	\$ 25,668,627	\$ 25,583,162
Net Income	\$ 124,219	\$ 528,684

The following table provides the same information as above for the proposed replacement facility, Phillips Health Care Center, including only the nursing facility beds and memory support adult care home beds in each of the first two operating years of the project.

	1st Full FFY (2018)		2nd Full FFY (2019)	
	NF Beds	ACH MS Beds	NF Beds	ACH MS Beds
Phillips Health Care Center				
Projected # of Patient Days	34,310	6,205	34,310	6,205
Projected Average Reimbursement	\$ 273.14	\$ 225.00	\$ 273.14	\$ 225.00
Gross Patient Revenue	\$ 9,371,499	\$ 1,396,125	\$ 9,371,499	\$ 1,396,125
Deductions (Charity Care)	\$ 540,210	\$ 0	\$ 540,210	\$ 0
Net Patient Revenue	\$ 8,831,289	\$ 1,396,125	\$ 8,831,289	\$ 1,396,125
Other Revenue	\$ 1,418,493	\$ 240,900	\$ 1,449,780	\$ 247,157
Total Revenue	\$ 10,249,782	\$ 1,637,025	\$ 10,281,069	\$ 1,643,282
Total Expenses	\$ 10,739,315	\$ 1,478,937	\$ 10,715,784	\$ 1,474,631
Net Income	\$ (489,533)	\$ 158,088	\$ (434,715)	\$ 168,651

The assumptions used by the applicant in preparation of the pro forma financial statements are reasonable, including projected utilization, costs and charges. See Section X, pages 151-158, and the pro forma financial statements 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.

In summary, the applicant adequately demonstrates the availability of sufficient funds for the capital needs of the proposal. In addition, the applicant adequately demonstrates that

the financial feasibility of the project is based on reasonable projections of revenues and operating costs. Therefore, the application is conforming with this criterion.

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

C

The applicant proposes to replace its existing nursing facility and develop 16 additional nursing facility beds pursuant to Policy NH-2 and 20 adult care home beds pursuant to Policy LTC-1. Upon project completion, the nursing facility will have 100 nursing facility beds and 20 memory support adult care beds. The proposed additional beds will serve only the residents of Salem towne, a continuing care retirement community. The applicant adequately demonstrates the proposal is consistent with Policies NH-2 and LTC-1 in the 2014 SMFP. Further, the applicant adequately demonstrates the need the population to be served has for the additional 16 nursing and 20 memory support ACH beds. See Criteria (1) and (3) for discussion of the need for the proposed beds which is hereby incorporated by reference as if set forth fully herein. Consequently, the applicant adequately demonstrates that the proposed project will not unnecessarily duplicate existing or approved health service capabilities or facilities. Therefore, the applicant is conforming with 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

On page 131, the applicant projects the direct patient care staff by shift for the Phillips Health Care Center replacement facility, as shown in the following table.

**Proposed Staff by Shift PY2
October 1, 2018-September 31, 2019**

Day Shift	RNs	LPNs	Aides	Total
Nursing beds	2.0	5.0	17.0	24.0
ACH Memory Support beds	0.0	1.0	3.0	4.0
Evening Shift				
Nursing beds	1.0	3.0	11.0	15.0
ACH Memory Support beds	0.0	1.0	2.0	3.0
Night Shift				
Nursing beds	1.0	3.0	7.0	11.0
ACH Memory Support beds	0.0	1.0	1.0	2.0
Total for the Day				
Nursing beds	4.0	11.0	35.0	50.0
ACH Memory Support beds	0.0	3.0	6.0	9.0

The applicant states on page 132 that the staff identified for each position can be converted to full-time equivalents (FTEs) by multiplying by 1.4. On page 139, the applicant provides the proposed direct care staffing in FTEs for the project in the second full federal fiscal year, as shown below.

**Direct Care Hours Per Patient Day PY2
October 1, 2018 – September 30, 2019**

Nursing Facility Beds	RNs	LPNs	Aides	Total
FTEs	5.6	15.4	49.0	70.0
Direct care hours per year per FTE	2,080	2,080	2,080	2,080
Direct care hours per year	11,648	32,032	101,920	145,600
Patient days per year	34,310	34,310	34,310	34,310
Direct care hours per patient day	0.34	0.93	2.97	4.24
Adult Care Home (Memory Support)				
FTEs		4.2	8.4	12.6
Nursing hours per year per FTE		2,080	2,080	2,080
Direct care hours per year		8,736	17,472	26,208
Patient days per year		6,205	6,205	6,205
Direct care hours per patient day		1.41	2.82	4.22
Total Direct Care Hours per Patient Day	0.34	2.34	5.79	8.47

The applicant proposes to provide registered nurse (RN) and licensed practical nurse (LPN) coverage twenty four hours per day, seven days per week and projects nursing hours per patient day (NHPPD) for the NF beds in excess of the minimum nursing staff requirements as established in the North Carolina Rules for the Licensing of Nursing

Homes. Further, the applicant projects NHPPD for the ACH beds in excess of the minimum nursing staff requirements as established in the North Carolina Rules for the Licensing of Adult Care Homes.

In Section VII.6, page 140, the applicant states that Salem towne does not expect any difficulty in recruiting the additional staff necessary for the proposed project. The applicant refers to its existing clinical training agreements with UNC Greensboro, Winston-Salem State University, and Medical Careers Institute and states that the relationships serve as a source for nursing staff recruitment. The applicant also states that Salem towne offers competitive salaries, comprehensive benefits, and a positive work environment that potential staff will find attractive.

On page 45 of the application, the applicant states that Salem towne contracts with Dr. Maria Eugenia Iruela for medical director services for Phillips Health Care Center. Exhibit 6 contains a copy of the contract and Exhibit 7 contains a copy of Dr. Iruela's curriculum vitae.

Adequate costs for the health manpower and management positions proposed by the applicant in Sections II.2 and Table VII.3 are budgeted in the pro forma financial statements. Thus, the applicant adequately demonstrates the availability of sufficient health manpower and management personnel to provide the proposed services, including a medical director. Therefore, the application is conforming with 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.4, pages 60-62, the applicant describes the ancillary and support services that will be provided by the facility or made available through agreements with other providers including physician services, therapy services, audiology, dietary services, pharmacy, diagnostic services, podiatry, eye care, barber/beauty, mental health services, dental services, and laboratory services. See also Exhibit 6 which contains copies of existing contracts with service providers.

The applicant adequately demonstrates that it will provide or make arrangements for the necessary ancillary and support services and that the proposed services will be coordinated with the existing health care system. Therefore, the application is conforming with 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

NA

- (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.

CA

Salemtowne proposes to construct 121,698 square feet of new space to accommodate the replacement nursing facility and a 3,200 square foot CCRC maintenance building that had to be removed from the site and replaced. Exhibit 3 contains the line drawings and site plan. Exhibit 20 contains the architect's cost estimate documenting the square footage and construction costs. In Section XI.14, pages 170-171, the applicant discusses the new construction, stating it will include energy efficient operations that will incorporate design features and building systems and materials that conserve energy and reduce utility costs. The applicant states the energy saving features include: an energy efficient HVAC system, a condensing type boiler for domestic hot water that operates at 95% efficiency, and electrical systems that utilize energy efficient fixtures and bulbs/lamps as well as switching and control systems that reduce energy usage and costs. The applicant adequately demonstrates 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. The application is conforming with this criterion subject to Condition (3) in Criterion (4).

- (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;

NA

- (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;

NA

- (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

NA

- (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.7, page 124, the applicant states that patients will be admitted to the additional nursing facility and adult care beds from the CCRC, in conformance with Policies NH-2 and LTC-1, respectively. Patients are admitted to the existing nursing facility beds through referrals from local physicians, hospital discharge planners and local residents.

- (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 114, the applicant states that Salem towne has existing clinical training agreements with UNC Greensboro, Winston-Salem State University, North Forsyth High School and Medical Careers Institute. Exhibit 9 contains copies of the agreements. The applicant adequately demonstrates that the proposed health services will accommodate the clinical needs of health professional training programs in the area. Therefore, the application is conforming with 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.

NA

- (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 no 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. 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.

C

The proposal is conforming with all applicable Criteria and Standards for Nursing Facility or Adult Care Home Services in 10A NCAC 14C Section .1100, as indicated below.

**SECTION .1100 - CRITERIA AND STANDARDS FOR NURSING FACILITY SERVICES
or ADULT CARE HOME SERVICES**

.1101 INFORMATION REQUIRED OF APPLICANT

- (a) *An applicant proposing to establish new nursing facility or adult care home beds shall project an occupancy level for the entire facility for each of the first eight calendar quarters following the completion of the proposed project. All assumptions, including the specific methodologies by which occupancies are projected, shall be stated.*

- C- The applicant provides the assumptions and projects the first thirteen calendar quarters of occupancy levels in Section IV.2, pages 107-111.
- (b) *An applicant proposing to establish new nursing facility or adult care home beds shall project patient origin by percentage by county of residence. All assumptions, including the specific methodology by which patient origin is projected, shall be stated.*
- C- The applicant projects patient origin by county of residence and provides the assumptions and methodologies used to make the projections in Sections III. 9, pages 103-104.
- (c) *An applicant proposing to establish new nursing facility or adult care home beds shall show that at least 85 percent of the anticipated patient population in the entire facility lives within a 45 mile radius of the facility, with the exception that this standard shall be waived for applicants proposing to transfer existing certified nursing facility beds from a State Psychiatric Hospital to a community facility, facilities that are fraternal or religious facilities, or facilities that are part of licensed continuing care facilities which make services available to large or geographically diverse populations.*
- NA- The rule does not apply to CCRC projects.
- (d) *An applicant proposing to establish a new nursing facility or adult care home shall specify the site on which the facility will be located. If the proposed site is not owned by or under the control of the applicant, the applicant shall specify at least one alternate site on which the services could be operated should acquisition efforts relative to the proposed site ultimately fail, and shall demonstrate that the proposed and alternate sites are available for acquisition.*
- NA- The applicant does not propose to establish a new nursing facility or adult care home.
- (e) *An applicant proposing to establish a new nursing facility or adult care home shall document that the proposed site and alternate sites are suitable for development of the facility with regard to water, sewage disposal, site development and zoning including the required procedures for obtaining zoning changes and a special use permit after a certificate of need is obtained.*
- NA- The applicant does not propose to establish a new nursing facility or adult care home.
- (f) *An applicant proposing to establish new nursing facility or adult care home beds shall provide documentation to demonstrate that the physical plant will conform*

with all requirements as stated in 10A NCAC 13D or 10A NCAC 13F, whichever is applicable.

- C- The applicant states in Section II, page 29 (confirmed by letter from architect in Exhibit 5) that the proposed facility will conform with all requirements as stated in 10A NCAC 13D.

.1102 PERFORMANCE STANDARDS

- (a) *An applicant proposing to add nursing facility beds to an existing facility, except an applicant proposing to transfer existing certified nursing facility beds from a State Psychiatric Hospital to a community facility, shall not be approved unless the average occupancy, over the nine months immediately preceding the submittal of the application, of the total number of licensed nursing facility beds within the facility in which the new beds are to be operated was at least 90 percent.*
- C- The applicant proposes to add 16 nursing facility beds to an existing nursing facility. On page 29, the applicant states:

“As documented in Section IV.1, the nine month historical occupancy of the 84 existing nursing facility beds is 94 percent.”
- (b) *An applicant proposing to establish a new nursing facility or add nursing facility beds to an existing facility, except an applicant proposing to transfer existing certified nursing facility beds from a State Psychiatric Hospital to a community facility, shall not be approved unless occupancy is projected to be at least 90 percent for the total number of nursing facility beds proposed to be operated, no later than two years following the completion of the proposed project. All assumptions, including the specific methodologies by which occupancies are projected, shall be clearly stated.*
- NA- The rule does not apply to CCRC projects.
- (c) *An applicant proposing to add adult care home beds to an existing facility shall not be approved unless the average occupancy, over the nine months immediately preceding the submittal of the application, of the total number of licensed adult care home beds within the facility in which the new beds are to be operated was at least 85 percent.*
- NA- The applicant proposes to add 20 memory support adult care home beds to a replacement nursing facility, not to an existing adult care home. The replacement nursing facility will no longer be adjacent to the existing CCRC adult care beds and will be separately licensed.

- (d) *An applicant proposing to establish a new adult care home facility or add adult care home beds to an existing facility shall not be approved unless occupancy is projected to be at least 85 percent for the total number of adult care home beds proposed to be operated, no later than two years following the completion of the proposed project. All assumptions, including the specific methodologies by which occupancies are projected, shall be stated.*
- NA- The rule does not apply to CCRC projects.