

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

DECISION DATE: March 21, 2014
PROJECT ANALYST: Fatimah Wilson
TEAM LEADER: Lisa Pittman

PROJECT I.D. NUMBER: O-10223-13 / Autumn Corporation d/b/a Autumn at Brunswick Plantation / Cost overrun on Project I.D. #O-8005-07 (Develop a new 100-bed nursing facility in Ashe by relocating 30 nursing facility beds from Autumn Care of Shallotte and 70 beds allocated in the 2007 State Medical Facilities Plan) / Brunswick 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.

C

On May 29, 2008, Autumn Corporation d/b/a Autumn at Brunswick Plantation received a certificate of need to develop a new 100-bed nursing facility in Ashe by relocating 30 nursing facility beds from Autumn Care of Shallotte and 70 beds allocated in the 2007 State Medical Facilities Plan for Brunswick County (Project I.D. #O-8005-07). The original project was approved for a capital cost of \$8,825,923. The project was scheduled to be licensed and certified by October 10, 2010. The current CON application is for a “cost overrun” of the initial approval, and proposes to offer services on October 1, 2015. There is no material change in scope from the originally approved project in this application.

The applicant does not propose to increase the number of licensed beds in any category, add any new health services or acquire equipment for which there is a need determination in the 2013 SMFP. Therefore, there are no need determinations in the 2013 SMFP that are applicable to this review. The applicant has proposed an increase in the square footage of the new facility. In the original application, the applicant proposed to construct a 50,938 square foot 100-bed facility with 40 private beds and 60 semi-private beds. The current application proposes to construct a 100-bed 60,696 square foot facility with 44 private beds and 56 semi-

private beds. There is one policy in the 2013 SMFP that is applicable to this review. 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 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.”

The proposed capital expenditure for this project is greater than \$2 million but less than \$5 million. In Section XI.14, page 68, the applicant list several methods by which they will maintain energy efficiency in facility operations as follows:

- *“The heating and air conditioning systems will be heat pumps with a high seer rating to insure efficiency. Each patient maintains the temperature that is most comfortable for him or her.*
- *Utility use in other areas is controlled by staff, with unused rooms or zoned areas set back to cut utility costs.*
- *The 100 nursing bed facility will also employ variable speed water pumps, which control unnecessary water use.*
- *The facility will be heavily insulated and will be designed in accordance with the North Carolina State Energy Code (2012) and in accordance with Energy Efficient Design of New Buildings guidelines. This reduces operational cost and conforms to GEN 4 guidelines.*
- *The lighting design will utilize high efficiency electronic ballasts and lamps. Several levels of lights will be designed as required to provide only the level of light required for each space. Levels of light in each space would be user controlled.*
- *Individual thermostats for precise temperature control and setback of unoccupied rooms are planned.*
- *Windows will be thermo-pane insulated for energy efficiency.*

- *Systems and brands used will be chosen by Autumn based on their history of dependability and durability in Autumn facilities.*
...”

The applicant’s statement adequately describes the plans to assure improved energy efficiency and water conservation. In summary, the application is consistent with Policy GEN-4. Consequently, the application is conforming to this criterion.

- (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

On May 29, 2008, Autumn Corporation d/b/a Autumn at Brunswick Plantation received a certificate of need to develop a new 100-bed nursing facility in Ashe by relocating 30 nursing facility beds from Autumn Care of Shallotte and 70 beds allocated in the 2007 State Medical Facilities Plan for Brunswick County (Project I.D. #O-8005-07). The original project was approved for a capital cost of \$8,825,923. The project was scheduled to be licensed and certified by October 10, 2010. The current CON application is for a “cost overrun” of the initial approval, and proposes to offer services on October 1, 2015. The applicant has proposed an increase in the square footage of the new facility. In the original application, the applicant proposed to construct a 50,938 square foot 100-bed facility with 40 private beds and 60 semi-private beds. The current application proposes to construct a 100-bed 60,696 square foot facility with 44 private beds and 56 semi-private beds. There is no material change in scope from the originally approved project in this application; rather, the applicant states in Section III.2, page 20 that, “*the addition [sic] capital cost is primarily the result of increased site/site development cost and construction/FF&E costs.*” On page 20, the applicant indicates that the previously approved capital cost of \$8,825,923 is now projected to be \$11,978,280, an increase of 35.7% [$(\$11,978,280 / \$8,825,923) - 1 = 0.357$].

Population to be Served

In Section III.1., page 19, the applicant states, “*The need for the facility was discussed in the original application. This proposal was necessitated by the cost overrun which is addressed in detail under 2(a).*” The applicant adequately identified the population to be served in the original application.

Demonstration of Need

Autumn at Brunswick Plantation was approved in its initial application (Project I.D. #O-8005-07) for a capital expenditure of \$8,825,923. The applicant states that this permits a

capital expenditure of \$10,149,811 (\$8,825,923 + 15%). Therefore, Autumn at Brunswick Plantation is permitted under CON statues, to incur an additional \$1,323,888 cost without requiring CON approval for any additional capital cost.

In Section III.2, pages 20 – 22, the applicant states,

“The following is a comparison of the approval [sic] and proposal [sic] capital cost:

**Construction and FF&E cost are combined since the original capital cost included fixed FF&E costs under construction cost.*

<i>Category</i>	<i>Approved</i>	<i>Proposed</i>	<i>Variance</i>
<i>A. Site Costs & Site Prep</i>	<i>\$2,210,000</i>	<i>\$2,900,000</i>	<i>\$690,000</i>
<i>*B. Construction & Equipment</i>	<i>\$6,203,180</i>	<i>\$8,051,620</i>	<i>\$1,848,440</i>
<i>C. Miscellaneous</i>			
<i>A&E Fees</i>	<i>\$150,000</i>	<i>\$201,660</i>	<i>\$51,660</i>
<i>CON Prep</i>	<i>\$17,500</i>	<i>0</i>	<i>(\$17,500)</i>
<i>Legal</i>	<i>\$0</i>	<i>\$150,000</i>	<i>\$150,000</i>
<i>Market Analysis</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>
<i>Loan</i>	<i>\$20,000</i>	<i>\$25,000</i>	<i>\$5,000</i>
<i>Construction Interest</i>	<i>\$225,243</i>	<i>\$300,000</i>	<i>\$74,757</i>
<i>Contingency</i>	<i>\$0</i>	<i>\$350,000</i>	<i>\$350,000</i>
<i>D. Total Capital Cost</i>	<i>\$8,825,923</i>	<i>\$11,978,280 [sic]</i>	<i>\$3,152,357</i>

Note: Above capital costs are found in Section VIII, Table VIII.1.

A comparison of the above costs reflects the following:

- *The addition [sic] capital cost is primarily the result of increased site/site development cost and construction/FF&E costs. This accounts for \$2,538,440 additional capital cost [sic].*
- *\$500,000 of the projected capital cost is contingency (\$350,000) and user fees (\$150,000)”*

The additional capital cost proposed by the applicant is a result of a new design of the proposed facility that will increase the number of private rooms in the facility (40 to 44), enhance the “Neighborhood Environment” and allow the facility to more effectively and efficiently comply with Policy NH-8. Policy NH-8 on pages 42-43 in the 2013 SMFP 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 order to reduce the capital expenditure of the proposed project to stay within the 15% cost overrun allowable amount, Autumn would have to reduce the capital expenditure of the proposed project by \$1,828,469 as shown in the table below.

Approved Capital Expenditure	15% Cost Overrun	Total	Proposed Capital Expenditure	Variance
\$8,825,923	\$1,323,888	\$10,149,811	\$11,978,280	\$1,828,469

The applicant states on page 22 that a reduced facility size would not provide sufficient savings and would result in fewer private rooms and a less desirable design to promote CON Policy NH-8. This application for a cost overrun seeks only approval for increased capital cost of the project, as a result of an increase in site development and construction costs for the purpose of adhering to that policy. The original project scope will not be changed.

Access

In Section VI.4, page 38, the applicant states that financial circumstances have no bearing on the resident’s continued admission status at Autumn at Brunswick Plantation, including a private-pay patient who “spends-down” to Medicaid eligibility. This is consistent with the applicant’s original application.

In summary, the applicant adequately identified the population to be served, adequately demonstrated the need for the cost overrun, and adequately demonstrated the extent to which all residents, including the medically underserved, will have access to the services. 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.

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, pages 19 - 22, the applicant discusses two alternatives that were considered prior to submitting this application. The first alternative involved returning to the original design of the facility which is 9,758 s.f. less (60,696 proposed s.f. – 50,938 approved s.f. = 9,758) than the proposed design. This alternative would have resulted in potential savings of \$975,800 in construction cost. This alternative was not a viable option because the original design is more “Traditional” as opposed to the “Neighborhood” concept and would have reduced the number of private rooms in the facility (44 to 40). The second alternative involved reducing FF&E costs by eliminating electric beds in resident rooms and eliminating

the project’s contingency. This alternative would have resulted in potential savings of \$550,000. Both alternatives would only result in \$1,525,800 potential savings, resulting in approximately \$300,000 in excess of the CON capital threshold currently available. On page 22, the applicant provides the following table to demonstrate the reasonableness of the proposed project by comparing two other projects by capital cost per bed and percent private room.

PROJECT	CAPITAL COST PER BED	PERCENT PRIVATE ROOM
Autumn Care of Mecklenburg	\$122,200	45%
Charlotte Health Care Center	\$124,444	33%
Autumn at Brunswick Plantation*	\$119,782	44%

* The proposed capital expenditure of \$11,978,280 / 100-beds

The additional capital cost proposed by the applicant is a result of a new design of the proposed facility that will increase the number of private rooms in the facility (40 to 44), enhance the “Neighborhood Environment” and allow the facility to more effectively and efficiently comply with Policy NH-8. The applicant concludes that the proposed capital cost is reasonable based on the alternatives considered.

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

In summary, the applicants adequately demonstrate that their 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. Autumn Corporation d/b/a Autumn at Brunswick Plantation shall materially comply with all representations made in Project I.D. #O-8005-07 and this certificate of need application, Project I.D. #O-10223-13.**
- 2. Autumn Corporation d/b/a Autumn at Brunswick Plantation shall comply with all conditions of approval on the certificate of need for Project I.D. #O-8005-07, except as specifically modified by the conditions of approval for this application, Project I.D. #O-10223-13.**
- 3. Autumn Corporation d/b/a Autumn at Brunswick Plantation 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 total capital expenditure for both projects combined shall be \$11,978,280.**

5. Autumn Corporation d/b/a Autumn at Brunswick Plantation shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Certificate of Need Section in writing prior to the 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 the original application, Project I.D. #O-8005-07, the applicant was approved for a total capital expenditure of \$8,825,923. As a result of a new design of the proposed facility, the applicant proposes increased capital cost in site development and construction costs of \$3,152,357, which results in a proposed total project capital expenditure of \$11,978,280 [$\$8,825,923 + \$3,152,357 = \$11,978,280$]. See Criterion (3) for additional discussion which is hereby incorporated by reference as if fully set forth herein. See Criterion (12) for a description of specific changes in the costs by category. In Section VIII.2, pages 49 and 51, the applicant states the capital cost of the project will be funded through a commercial loan and land lease. In Exhibit 1, the applicant provides an October 15, 2013 letter signed by the Senior Vice President of BB&T Corporate Banking, which states in part:

“BB&T Corporate Banking understands that Autumn Corporation (Autumn) is submitting a Certificate of Need (CON) application to the State of North Carolina. The CON application seeks capital cost approval for Autumn at Brunswick Plantation, with a new existing 100 bed nursing facility in Brunswick County for which a CON currently exists.

As you know BB&T presently finances several Autumn nursing homes and would seriously consider providing the required construction financing and permanent financing for the proposed 100 bed nursing facility. The loan terms would be as follows:

*Entity: Autumn Corporation
Purpose: 100 bed nursing facility in Brunswick County
Interest Rate: Market at closing
Period: 20 year amortization
Amount: \$12,000,000*

Financing would be contingent upon satisfactory review of the pro forma financial statements and also subject to an acceptable appraisal, Certificate of Need, and compliance with BB&T standard loan underwriting guidelines.

BB&T looks forward to your successful CON application. ...”

Exhibit 2 contains a mortgage loan amortization schedule for Autumn Corporation and Exhibit 6 contains information regarding the land lease for Autumn Corporation.

Exhibit 3 contains Autumn Corporation's audited financial statements as of September 30, 2012 and 2011. As of September 30, 2012, the corporation had cash and cash equivalents of \$12,757,380. The financial statements also show that Autumn Corporation had net earnings of \$5,349,365 [total revenue minus total expenses]. The applicant adequately demonstrated the availability of sufficient funds for the capital needs of the project.

The applicant provides pro forma financial statements for the first two years of the project. The applicant projects a loss of \$275,373 in Project Year One, October 1, 2015 through September 30, 2016. In Project Year Two, October 1, 2016 through September 30, 2017, the applicant projects a positive net profit of \$210,074. The assumptions used by the applicant in preparation of the pro formas, and the application, are reasonable, including projected utilization, costs and charges.

The applicant projects higher patient charges and rates for private pay, Medicaid, and Medicare than those in the original project submitted in 2007. However, it is noted that the Medicaid rates reflect current rates for Brunswick County and that the Medicare rates are the current average RUG rates for the county. Private pay rates are *"inflated from October 1, 2010 to October 1, 2015 to reflect inflationary increases in cost."*

The assumptions used by the applicant in preparation of the pro formas are reasonable. The applicant adequately demonstrates that the financial feasibility of the proposal is based on reasonable projections of costs and charges. Therefore, the application is conforming to 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.

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The applicant was previously approved to develop a new 100-bed nursing facility in Ashe, North Carolina (Project I.D. #O-8005-07). In Project I.D. #O-8005-07, the application was conforming to this Criterion, and the applicant proposes no changes in the current application that would affect that determination. Consequently, 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.

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In Section VII.2 of the application, Table VII.3 on page 44 lists proposed staffing in the second year of operation. There are no changes in staffing as compared to Table VII.3 in the original application (Project I.D. #O-8005-07). In addition, most salaries were increased, as shown in the table below.

Position	Annual Salary Proposed in Project I.D. #O-8005-07	Annual Salary Proposed in Project I.D. #O-10223-13	Percent Increase
RN	\$49,800	\$52,247	4.91%
LPN	\$40,323	\$43,423	7.69%
CNA	\$22,208	\$23,810	7.21%
WARD SECRETARY	\$21,017	\$23,017	9.52%
COOKS	\$21,686	\$24,087	11.07%
DIETARY AIDES	\$16,429	\$18,455	12.33%

Table VII.4 depicts direct care nursing staff hours per patient day from October 1, 2016 through September 30, 2017. There is expected to be a total of 3.82 nursing hours per patient day. The original application indicated that there would be 3.70 nursing hours per patient day for a different time period, October 1, 2011 through September 30, 2012. The projected 3.82 nursing hours per patient day depicted in the current application exceeds the minimum nursing staffing requirements of 2.10 nursing hours per patient day required by 10A NCAC 13D .2303, North Carolina Rules for Licensing of Nursing Homes.

All other necessary staff is listed in Table VII.3, either as employees or contractual services.

The applicant adequately demonstrates the availability of sufficient resources for health manpower and management personnel to provide the services proposed. 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.

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The applicant identifies the services that will be provided by employees or arranged for through contracts in Table VII.3, page 44. In addition, the applicant provides the original Section V from Project I.D. #O-8005-07, pertaining to coordination with existing health care providers, and states that the *“This Section is materially unchanged from the original proposal. ...”* The information provided was conforming to this Criterion, and the applicant proposes no changes in the current application that would affect that determination. Consequently, 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

In Section III.2, pages 20 – 22, the applicant states,

“The following is a comparison of the approval [sic] and proposal [sic] capital cost:

**Construction and FF&E cost are combined since the original capital cost included fixed FF&E costs under construction cost.*

<i>Category</i>	<i>Approved</i>	<i>Proposed</i>	<i>Variance</i>
<i>A. Site Costs & Site Prep</i>	<i>\$2,210,000</i>	<i>\$2,900,000</i>	<i>\$690,000</i>
<i>*B. Construction & Equipment</i>	<i>\$6,203,180</i>	<i>\$8,051,620</i>	<i>\$1,848,440</i>
<i>C. Miscellaneous</i>			
<i>A&E Fees</i>	<i>\$150,000</i>	<i>\$201,660</i>	<i>\$51,660</i>
<i>CON Prep</i>	<i>\$17,500</i>	<i>0</i>	<i>(\$17,500)</i>

<i>Legal</i>	\$0	\$150,000	\$150,000
<i>Market Analysis</i>	\$0	\$0	\$0
<i>Loan</i>	\$20,000	\$25,000	\$5,000
<i>Construction Interest</i>	\$225,243	\$300,000	\$74,757
<i>Contingency</i>	\$0	\$350,000	\$350,000
<i>D. Total Capital Cost</i>	\$8,825,923	\$11,978,280 [sic]	\$3,152,357

A comparison of the above costs reflects the following:

- *The addition [sic] capital cost is primarily the result of increased site/site development cost and construction/FF&E costs. This accounts for \$2,538,440 additional capital cost [sic].*
- *\$500,000 of the projected capital cost is contingency (\$350,000) and user fees (\$150,000)”*

In Exhibit 9, the applicant provides a cost certification letter from David R. Polston, AIA, which states in part:

“We examined the feasibility of several design alternatives for the construction of a 100 bed nursing facility. Based on our selected design (60,696 SF), I would estimate that the square foot cost for new construction will be approximately \$100 for a total new building budget of \$6,069,600.

The total site development costs including grading, fill, compaction, paving and site utilities will be approximately \$1,000,000. The total architectural fee will be \$150,000. Thus the total development cost for the building and site improvements along with the architectural fee would be approximately \$7,219,600. ...”

The following table is a comparison of the previously approved square feet and the proposed square feet of the new facility.

	Approved S.F. Project I.D. #O-8005-07	Proposed S.F. Project I.D. #O-10223-13	Variance
Ancillary Areas			
Administration	1,690	2,999	1,309
Public Lobby	448	676	228
Mech. Equipment	374	480	106
Housekeeping	252	256	4

General Storage	520	623	103
Laundry	938	992	54
Physical Therapy	1,331	2,246	915
Exam/Treatment	0	0	
Beauty Shop*	314	247	(67)
Kitchen	1,748	2,208	460
Patient Dining	1,660	4,860	3,200
Recreation Activities & Other Common Use Areas	3,855	4,937	1,082
Staff Dining*	384	320	(64)
Circulation/Corridors/Partitions/Walls	14,164	14,958	794
Sub-Total Ancillary	27,678	35,802	8,124
Nursing Units			
Nurses Station	844	624	(220)
Utility, Linen & Equip. Storage	1,696	2,176	480
Patient Rooms	15,916	16,416	500
Patient Baths	4,804	5,678	874
Sub-Total Nursing Units	23,260	24,894	1,634
Total Square Feet	50,938	60,696	9,758

*Reduction in square footage

As shown in the table above, the size of the proposed facility has increased by 9,758 square feet. The applicant also proposed a new design of the facility that will increase the number of private rooms (40 to 44), enhance the “Neighborhood Environment” and allow the facility to more effectively and efficiently comply with Policy NH-8. The major items which have caused the cost overrun include site cost and site prep, in addition to construction and equipment. The applicant states, *“The addition [sic] capital cost is primarily the result of increased site/site development cost and construction/FF&E costs. This accounts for \$2,538,440 additional capital cost [sic]. \$500,000 of the projected capital cost is contingency (\$350,000) and user fees (\$150,000)”*

Therefore, this application for a cost overrun seeks only approval for increased capital cost of the project, as a result of an increase in site development and construction costs. The original project scope will not be changed.

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 the costs and charges of the proposed services. See Criterion (5) for discussion regarding costs and charges. 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

In Project I.D. #O-8005-07, the application was conforming to this Criterion, and the applicant proposes no changes in the current application that would affect that determination. Consequently, the application is 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 Project I.D. #O-8005-07, the application was conforming to this Criterion, and the applicant proposes no changes in the current application that would affect that determination. Consequently, 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 Project I.D. #O-8005-07, the application was conforming to this Criterion, and the applicant proposes no changes in the current application that would affect that determination. Consequently, 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 39 of the application, the applicant states,

“Area providers and agencies have been notified of the proposed project as noted in Section V. The following healthcare providers and agencies serve as referral sources.

- *Family Members*
- *Hospice*
- *Brunswick Community Hospital*
- *Other area hospitals*
- *Autumn Care of Shallotte and other nursing facilities*

- *Physicians in Brunswick County and surrounding counties*
- *Self referrals*
- *Service Area ACH facilities*
- *Service Area Home Health agencies”*

In Project I.D. #O-8005-07, the application was conforming to this Criterion, and the applicant proposes no changes in the current application that would affect that determination. Consequently, 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 Project I.D. #O-8005-07, the application was conforming to this Criterion, and the applicant proposes no changes in the current application that would affect that determination. Consequently, 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

In Project I.D. #O-8005-07, the application was conforming to this Criterion, and the applicant proposes no changes in the current application that would affect that determination. Consequently, 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

The applicant currently provides nursing facility care at Autumn Care of Shallotte and will transfer 30 of its beds to the proposed Autumn at Brunswick Plantation nursing facility. According to the Licensure and Certification Section, Division of Health Service Regulation, Autumn Care of Shallotte had Life Safety Code deficiencies cited at tag K-0052 and K-0056 on July 10, 2013. The facility was back in compliance on August 15, 2013. No incidents have occurred since for which any sanctions or penalties related to quality of care were imposed by the State. Therefore, the application is conforming to 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