

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

DECISION DATE: November 26, 2014
PROJECT ANALYST: Gregory F. Yakaboski
TEAM LEADER: Lisa Pittman

PROJECT I.D. NUMBER: J-10303-14 / Litchford Assisted Living, LLC (lessor), Universal Health Care/Raleigh, Inc. (lessee), Universal Properties/North Raleigh, LLC (lessor), Universal Health Care/North Raleigh, Inc. (lessee), Universal Properties/Wake, LLC (lessor), and Universal Health Care/Fuquay Varina, Inc. (lessee)/ Replace and relocate within Wake County the 20 adult care home beds from Universal Health Care/North Raleigh and 31 adult care home beds from Universal Health Care/Fuquay Varina to the existing Litchford Falls Healthcare & Rehabilitation facility for a total of 75 adult care home beds/ Wake 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

The applicants for this proposed project are Litchford Assisted Living, LLC (lessor), Universal Health Care/Raleigh, Inc. (lessee), Universal Properties/North Raleigh, LLC (lessor), Universal Health Care/North Raleigh, Inc. (lessee), Universal Properties/Wake, LLC (lessor), and Universal Health Care/Fuquay Varina, Inc. (lessee). The applicants may be referred to collectively as the applicants or individually by name. The Litchford Falls Healthcare & Rehabilitation facility (Litchford facility) is an existing facility with 90 existing nursing facility (NF) beds and 24 existing adult care home (ACH) beds located at 8200 Litchford Road, Raleigh. The new provider at the Litchford facility will be Litchford Assisted Living.

In this application the applicants propose to completely renovate the Litchford facility, keep the 24 ACH beds that are currently located there and relocate 11 existing and 20 CON approved ACH beds from UHC/Fuquay-Varina and 20 ACH existing but not utilized beds from UHC/North Raleigh to the Litchford facility for a total of 75 ACH beds at the Litchford facility which will be operated by the new provider, Litchford Assisted Living. In a separate application, Project ID # J-10308-14, submitted concurrently with this application and discussed below, the existing 90 NF beds at the Litchford facility would be relocated to a new replacement facility.

The proposal in this application is part of a larger project involving six related facilities (five existing facilities and one new proposed replacement facility) to relocate existing or approved adult care home (ACH) beds and nursing facility (NF) beds to create five single service (either only ACH bed or only NF bed) facilities and one combination service (both ACH and NF beds) facility from five existing combination facilities, as illustrated in the table below:

EXISTING

Existing Facilities	County	ACH beds (existing or approved)	NF beds (existing or approved)
Litchford Falls Healthcare & Rehabilitation Center	Wake	24	90
UHC/Fuquay-Varina	Wake	31	69
UHC/North Raleigh	Wake	20	112
UHC/Nashville	Nash	122	60
UHC/Oxford	Granville	20	160

PROPOSED

Existing Facilities	County	ACH beds (existing or approved)	NF beds (existing or approved)
Litchford Assisted Living (renamed from Litchford Falls Healthcare & Rehabilitation Center)	Wake	75	0
UHC/Fuquay-Varina	Wake	0	100
UHC/North Raleigh	Wake	0	132
UHC/Wake Forest *	Wake	0	119
UHC/Nashville	Nash	122	0
UHC/Oxford	Granville	20	140

*The new replacement facility

The applicants concurrently submitted four separate CON applications in order to create five single service (either only ACH bed or only NF bed) facilities and one combination service (both ACH and NF beds) facility from five existing combination facilities. The four applications submitted are:

- Project ID # J-10301-14-relocate 20 NF beds from Nash County to Wake County.
- Project ID # J-10302-14- relocate 31 NF beds from Nash County to Wake County.
- Project ID # J-10303-14 – relocate 51 existing or approved ACH beds within Wake County (**this application**).
- Project ID # J-10308-14- develop a new replacement NF bed facility within Wake County by relocating 90 NF beds within Wake County and relocating 29 NF beds from Nash and Granville counties to Wake County.

UHC/Fuquay-Varina’s 31 existing or approved ACH beds and UHC/North Raleigh’s 20 existing ACH beds are all listed in the inventory of ACH beds in Chapter 11, Table 11A, of the 2014 State Medical Facilities Plan (“SMFP”).

The proposed project does not involve the addition of any new health service facility beds, services or equipment for which there is a need determination in the 2014 SMFP. However, the following policies are applicable:

- Policy LTC-2: Relocation of Adult Care Home Beds
- Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities

Policy LTC-2: Relocation of Adult Care Home Beds states

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

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

Both the existing and proposed locations are in Wake County. The application is consistent with Policy LTC-2.

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

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

In approving a certificate of need proposing an expenditure greater than \$5 million to develop, replace, renovate, or add to a health service facility pursuant to G.S. 131E-178, the Certificate of Need Section shall impose a condition requiring the applicant to develop and implement an Energy Efficiency and Sustainability Plan for the project that conforms to or exceeds energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes. The plan must be consistent with the applicant's representation in the written statement as described in paragraph one of Policy GEN 4.

Any person awarded a certificate of need for a project or an exemption from review pursuant to G.S. 131E-184 are required to submit a plan for energy efficiency and water conservation that conforms to the rules, codes and standards implemented by the Construction Section of the Division of Health Service Regulation. The plan must be consistent with the applicant's representation in the written statement as described in paragraph one of Policy-GEN 4. The plan shall not adversely affect patient or resident health, safety, or infection control."

On page 36 the applicants provide written statements describing the proposed project's plan to assure improved energy efficiency and water conservation. The application is consistent with Policy GEN-4.

In summary, the application is conforming to all applicable policies in the 2014 SMFP. Therefore, 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.

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In this application the applicants propose to completely renovate the Litchford facility, keep the 24 ACH beds that are currently located there and relocate 11 existing and 20 CON approved ACH beds from UHC/Fuquay-Varina and 20 ACH existing but not utilized beds from UHC/North Raleigh to the Litchford facility for a total of 75 ACH beds at the Litchford facility which will be operated by the new provider, Litchford Assisted Living. In a separate application, Project ID # J-10308-14, submitted concurrently with this application and discussed below, the existing 90 NF beds at the Litchford facility would be relocated to a new replacement facility.

The proposal in this application is part of a larger project involving six related facilities (five existing facilities and one new proposed replacement facility) to relocate existing or approved adult care home (ACH) beds and nursing facility (NF) beds to create five single service (either only ACH bed or only NF bed) facilities and one combination service (both ACH and NF beds) facility from five existing combination facilities, as illustrated in the table below:

EXISTING

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PROPOSED

Existing Facilities	County	ACH beds (existing or approved)	NF beds (existing or approved)
Litchford Assisted Living (renamed from Litchford Falls Healthcare & Rehabilitation Center)	Wake	75	0
UHC/Fuquay-Varina	Wake	0	100
UHC/North Raleigh	Wake	0	132
UHC/Wake Forest *	Wake	0	119
UHC/Nashville	Nash	122	0
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The applicants concurrently submitted four separate CON applications in order to create five single service (either only ACH bed or only NF bed) facilities and one combination service (both ACH and NF beds) facility from five existing combination facilities. The four applications submitted are:

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- Project ID # J-10308-14- develop a new replacement NF bed facility within Wake County by relocating 90 NF beds within Wake County and relocating 29 NF beds from Nash and Granville counties to Wake County.

UHC/Fuquay-Varina’s 31 existing or approved ACH beds and UHC/North Raleigh’s 20 existing ACH beds are all listed in the inventory of ACH beds in Chapter 11, Table 11A, of the 2014 State Medical Facilities Plan (“SMFP”).

Population to be Served

In Section III.7, page 38, the applicants provide the projected patient origin for the ACH beds, as shown in the table below.

County	Projected % of Total ACH Admissions
Wake	90.0%
Johnston	3.0%
Franklin	2.0%
Durham	2.0%
Others (Carteret, Cumberland, Alamance and Montgomery)	3.0%
Total	100.0%

On page 39, the applicants state “*The facility’s anticipated patient origin will remain similar to its historical patient origin.*”

The applicants adequately identified the population to be served.

Need Analysis

In Section III.1, page 31, and supplemental information, the applicants state the need to relocate and replace UHC/Fuquay-Varina’s 31 existing or approved ACH beds and UHC/North Raleigh’s 20 ACH beds to the Litchford facility.

In supplemental information, the applicants state

“*The development of this project is tied in with the development of three other CON applications to:*

- A. *Transfer 20 NF beds from Universal/Nash for a total of 132 NF beds at Universal/North Raleigh;*
- B. *Transfer 31 NF beds from Universal/Nash for a total of 100 NF beds at Universal/Fuquay Varina; and*

- C. *Construct a new 119-bed nursing facility (Universal/Wake Forest) by relocating 90 NF beds from Litchford Falls, 9 NF beds from Universal Health Care/Nash, and 20 NF beds from Universal Health Care/Oxford.”*

The six facilities involved in the four CON applications: The Litchford facility; UHC/Fuquay Varina; UHC/North Raleigh; UHC/Nashville; UHC/Oxford and the proposed replacement facility, UHC/Wake Forest are all ultimately controlled by the same owner.

The applicants further state in supplemental information:

“The need for all four projects are related in the following ways:

- A. *Policy NH-6 allows for the relocation of NF beds within the host county and to contiguous counties currently served by the facility, under certain circumstances, which allows for Universal Health Care to implement a plan that will meet the needs of residents in Wake County by transferring beds from adjacent Nash and Granville Counties. The 2014 State Medical Facilities Plan (“SMFP”) shows a surplus of 88 nursing beds in Nash County, a surplus of 21 nursing beds in Granville County, and a deficit of 544 nursing beds in Wake County. Wake County is one of the fastest growing counties in the country. The increase in population will mandate that more services be provided. Utilizing Policy NH-6 allows Universal Health Care the opportunity to both meet the NF bed need within Wake County without materially impacting residents of Nash and Granville Counties in need of nursing services, and without reducing the number of ACH beds in Wake County.*
- B. *Relocating NF and ACH beds in this manner will allow Universal to upgrade its present facilities in order to optimize efficiencies, providing a more suitable environment for its residents in facilities with a single level of care. In this regard, while there are nursing facilities which also have some ACH beds, Universal is finding that this configuration is not optimal in its Wake County facilities. By statutory definition, a nursing home provides care for persons who have ailments for which medical and nursing care are indicated. Conversely, while adult care homes may provide residents assistance with medication and other activities of daily living, those residents are healthier and more self-supporting. The benefits of a single-level facility include:*
- Costs can be spread over a larger number of beds coupled with the fact that only one level of service will be offered in each facility.*
 - Assisted living residents do not prefer to be intermingled with nursing residents, a situation with [sic] this proposal eliminates.*
 - Increases the number of private beds available to Wake County residents.*
 - Makes services more readily available to the disadvantaged.”*

After providing the need overview, in the supplemental information the applicants specifically address the current Litchford facility as follows:

“Litchford Assisted Living

The current facility is old and does not meet the characteristics of a modern facility (it lacks private rooms and a neighborhood design). The complete renovation of Litchford Assisted Living allows Universal Health Care to transfer beds to a new 119 bed nursing facility in Wake Forest and renovate the existing Litchford building as a modern assisted living facility to meet the needs of Wake County residents. The new facility will incorporate all of Universal Health Care’s Wake County assisted living beds into one facility. Litchford Assisted Living will have 75 assisted living beds- 24 beds from the existing Litchford facility, 31 beds from UHC/Fuquay Varina, and 20 beds from UHC/North Raleigh. The end result of Universal’s proposals is 4 facilities that each provide a single level of care. The benefits of this facility include:

- *Costs can be spread over a larger number of beds coupled with the fact that only one level of service will be offered in each facility.*
- *Assisted living residents do not prefer to be intermingled with nursing residents, a situation with [sic] this proposal eliminates.*
- *Wake County is one of the fastest growing counties in the country. The increase in population will mandate that more services be provided.*
- *Increases the number of private beds available to Wake County residents.*
- *Makes services more readily available to the disadvantaged.*
- *The occupancy rate at Litchford is higher than it appears on paper because some rooms have been converted from semi-private rooms to private rooms without changing the number of licensed beds on paper.”*

Moreover, the applicant states: *“Litchford’s existing combination nursing and assisted living facility is antiquated (limited private rooms, no neighborhood designs) and does not meet the standards of the modern provider. If the proposed new Universal / Wake Forest facility is not approved, market conditions would mandate that Litchford build a replacement facility. The approval of the Universal / North Raleigh, Universal / Fuquay Varina, and UHC/ Wake Forest Applications would only require that the Litchford facility be renovated rather than replaced, hence the “unnecessary capital expenditures to build new NF beds’ referenced in the Application.”* [See supplemental information.]

Projected Utilization

In supplemental information the applicants state that projected occupancy at the end of the second full federal fiscal year of operation is projected to be 92.0% for the total number of adult care home beds proposed to be operated as illustrated in the table below.

**Litchford Assisted Living
Projected Utilization**

Second Project Year (Oct. 1, 2018 – September 30, 2019)

	1 ST QUARTER	2 ND QUARTER	3 RD QUARTER	4 TH QUARTER	TOTAL
Second Full Project Year (FFY2019)					
Pt. Days	6,348	6,210	6,279	6,348	25,185
# Beds	75	75	75	75	75
Occupancy	92.0%	92.0%	92.0%	92.0%	92.0%

As shown above, for each quarter of the second year following completion of the proposed project Litchford Assisted Living projects the 75 ACH beds will operate at 92.0% of capacity [25,185/365/75 = 0.92 or 92.0%]

In Section III, pages 31-33, and Section IV, pages 40-46, and supplemental information the applicants provide the assumptions and methodology used to project utilization for the 75 ACH beds at Litchford Assisted Living.

In supplemental information the applicants provide the average historical occupancy based on the functional capacity of 16 ACH beds for the last nine month as illustrated in the table below. The facility is licensed for 24 ACH beds.

Historical Utilization (July 2013 – March, 2014) based on Functional Capacity

	July 13	Aug 13	Sept 13	Oct 13	Nov 13	Dec 13	Jan 14	Feb 14	Mar 14	Total
Patient Days	466	448	400	417	415	459	430	366	402	3,804
# of Beds	16	16	16	16	16	16	16	16	16	16
Occupancy Rate	93.95%	90.32%	83.33%	84.07%	86.46%	92.54%	86.69%	81.70%	81.25%	86.77%

As shown in the table above, the average historical occupancy for the last nine months prior to submittal of the application for the ACH beds at the Litchford facility was 86.77% based on the functional capacity of 16 operational ACH beds. The Litchford facility is currently only operating 16 of its 24 licensed ACH beds. In supplemental information the applicants state that the other 8 licensed ACH beds are not currently in operation to allow the facility to create additional private rooms and additional office space for professional staff such as the Director of Nursing. Based on licensed capacity (the number of beds the facility is licensed for) the occupancy rate over the same nine month period is 57.85% (3,804/ 274/ 24 = .57846 or 57.85%). The historical occupancy rate based on functional capacity supports the projected utilization.

In addition, in Section III, pages 31-33, and in supplemental information the applicants cite the following factors in support of projected utilization:

- Litchford facility has an existing waiting list of 2 residents for ACH beds.
- Population growth in Wake County.
- Upon project completion the facility will be a single service (ACH) only facility which is preferred by residents.
- The Litchford facility has a proven track record of serving residents in North Raleigh.

- The facility is easy to access via the transportation infrastructure. The location is near Highway 540, Highway 440 and Old Wake Forest Road.
- Upon project completion the facility will have been completely renovated and updated to reflect a modern up-to-date ACH facility easily able to compete with the existing providers in Wake County.
- A fill up rate of 2 residents per week until optimum utilization is achieved.
- Eleven of the ACH beds being relocated from UHC/Fuquay Varina are currently occupied. Those patients will be given priority to transfer to the newly renovated and updated Litchford facility.

Access

On page 51 of the application the applicants state *“The facility will admit all persons without regard to race, color, creed, age, gender, national origin, or handicap. Routine and specialized services will be available to all admitted persons. Any person applying for admission will not be denied based on their ability to pay or payment source.”* In supplemental information, the percentage of projected days as a percent of total days for patients receiving Special Assistance with Basic Medicaid would be 35.0%.

On page 33 the applicants state that Ms. Link stated *“Universal has a good track record for offering Medicaid beds to the residents of Wake County”*. Ms. Link is identified as the Ombudsman for the Triangle J Council of Governments. On page 51, the applicant states that it does not anticipate any resident will need to be transferred from Litchford Assisted Living because of the “spending down” of private funds. Special assistant patients will not be required to pay upon admission. (See application page 51)

Furthermore, at present, no medically underserved residents are being served either by the 20 ACH beds to be relocated from UHC/North Raleigh since those beds are currently not being utilized or by 20 of the 31 ACH beds being relocated from UHC/North Raleigh since those 20 ACH beds are not yet operational.

In summary, the applicants identified the population to be served and adequately demonstrated the need for the proposed project, including the extent to which medically underserved groups are likely to have access to the proposed 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.

C

In this application the applicants propose to completely renovate the Litchford facility, keep the 24 ACH beds that are currently located there and relocate 11 existing and 20 CON approved ACH beds from UHC/Fuquay-Varina and 20 ACH existing but not utilized beds from UHC/North Raleigh to the Litchford facility for a total of 75 ACH beds. The Litchford facility will be operated by the new provider, Litchford Assisted Living. In a separate application, Project ID # J-10308-14, submitted concurrently with this application and discussed below, the existing 90 NF beds at the Litchford facility would be relocated to a new replacement facility.

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(both ACH and NF beds) facility from five existing combination facilities. The four applications submitted are:

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UHC/Fuquay-Varina's 31 ACH beds and UHC/North Raleigh's 20 ACH beds are all listed in the inventory of ACH beds in Chapter 11, Table 11A, of the 2014 State Medical Facilities Plan ("SMFP").

According to Map Quest: 1) the distance from UHC/Fuquay Varina to the Litchford Falls facility is approximately 25.9 miles and 37 minutes, and 2) the distance from UHC/North Raleigh to the Litchford facility is approximately 4.31 miles and 7 minutes. Major transportation corridors connect the UHC/Fuquay Varina to both the Litchford Falls location and UHC/North Raleigh. Thus, the 51 ACH beds being relocated within Wake County from UHC/Fuquay Varina and UHC/North Raleigh to the Litchford facility would be geographically accessible to the same population formerly served.

At present, no medically underserved residents are being served by 40 of the 51 ACH beds to be relocated since they currently have no patients (20 ACH beds at UHC/North Raleigh are currently not utilized and 20 of the 31 ACH beds at UHC/Fuquay Varina are currently not operational.)

On page 37, the applicants state *"Currently, only 11 ACH residents reside at Universal Health Care/ Fuquay Varina. There are 20 additional beds approved for that facility which will be operational in the fall of 2014. The remaining 20 ACH beds from Universal Health Care/North Raleigh are vacant. Universal Health Care will use its best efforts to secure services for its residents. Universal Health Care/Fuquay Varina will work closely with its residents and their families to provide the best care possible to meet the residents needs. The current occupancy level in Wake County is 79% and no problem in finding placement is anticipated."*

The Litchford facility will be known as Litchford Assisted Living. In supplemental information the applicants state that *"If Litchford Assisted Living is available for transferring the residents in the Fuquay Varina assisted living beds at the time it is opened, the residents will be given the opportunity to relocate to Litchford Assisted Living."*

The applicants 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 needs of the population presently served would be adequately met following the relocation of the ACH beds. Therefore, the application is conforming to this criterion.

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

NC

In Section III.2, pages 33-34, and supplemental information, the applicants discussed the alternatives considered by Litchford Assisted Living, which include:

- 1) Maintain the Status Quo- The applicants dismissed this alternative based on the outdated condition and design of the building, the needs of the fast growing population of Wake County, patient preferences to have single service facilities, and the fact that it was part of a larger project, described earlier, to achieve four single service facilities in Wake County. Therefore, doing nothing would not be in the best interest of their patients.
- 2) Renovate the existing Litchford facility and relocate 51 ACH beds to the Litchford facility- the applicants concluded that the proposal to replace and relocate 51 additional ACH beds to the existing renovated facility was their most effective alternative to meet the unmet need, provide geographical access and to achieve an overall goal of creating four single service facilities in Wake County by reallocating existing beds between existing facilities and one new replacement facility. Thus, the applicants concluded that the project as proposed was their least costly and most effective alternative.

However, the application is not conforming to all other applicable statutory and regulatory review criteria, and thus, is not approvable. See the *Criteria and Standards for Nursing Facility or Adult Care Home Facility Services*, promulgated in 10A NCAC 14C .1100. A project that cannot be approved is not an effective alternative.

Therefore, the applicants did not adequately demonstrate that the proposal is their least costly or most effective alternative to meet the stated need. Consequently, the application is nonconforming to this criterion.

- (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 63, the applicants project the total capital cost for the proposal will be \$2,250,000, which includes:

Construction Costs	\$2,003,000
Equipment and Furniture	\$ 100,000
Consultant Fees	<u>\$ 147,000</u>
Total:	\$2,250,000

In Section VIII.2, page 64, the applicants indicate that the capital cost of the project will be financed by the owner's equity of Don and Vickie Beaver. In Section IX, pages 67-68, the applicants state that total working capital needed is \$746,000 (\$164,000 in start-up expenses and \$582,000 in initial operating expenses). On page 70, the applicants state that the working capital will be financed by the owner's equity of Don and Vickie Beaver.

Exhibit 16 contains a copy of a letter from the Senior Vice President of Wells Fargo, Commercial Banking in Hickory, NC which states:

"This letter is to confirm that Wells Fargo Bank, N.A. has examined the personal financial statements of Donald C. Beaver and Vickie L. Beaver with regard to the proposed certificate of need application being filed on June 16, 2014 for the development of a 75 bed assisted living facility in Raleigh, North Carolina.

We confirm to you that Mr. and Mrs. Beaver have a net worth over \$50,000,000.

Based on a review of their financial statements, they have more than enough funds to provide the proposed \$2,250,000 of owner's equity and up to \$1,000,000 of working capital for this project."

Exhibit 16 also contains a copy of a letter from Donald C. and Vickie Loflin Beaver dated June 11, 2014, which states:

"We hereby agree to provide an input of working capital of \$1,500,000 to satisfy the CON requirement for a 75-bed renovation of the existing Litchford Falls Property in Raleigh."

The applicants adequately demonstrate the availability of sufficient funds for the capital and working capital needs for this project.

In Section X, page 74, the applicants projected charges/rates for the first two operating years following completion of the project. The per diem private pay charge is projected to be \$145.00 for a private room and \$95.00 for a semi-private room in each of the first two full federal fiscal years.

Furthermore, in supplemental information, the applicants project that revenues will exceed operating costs in the second full federal fiscal year following completion of the proposed project, as shown in the table below.

Net Income	1st Full FFY (2018)	2nd Full FFY (2019)
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Total Revenue	\$1,969,520	\$2,805,847
Total Operating Expenses	\$2,235,587	\$2,635,939
Net Profit	(\$266,067)	\$169,908

The applicants adequately demonstrate that projected revenues and operating costs are based on reasonable and adequately supported assumptions, including projected utilization. See discussion of projected utilization in Criterion (3) which is incorporated herein by reference.

In summary, the applicants adequately demonstrated the availability of sufficient funds for the capital and working capital needs of the project and adequately demonstrated that the financial feasibility of the proposal is based upon reasonable projections of operating costs and revenues. 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.

C

In this application the applicants propose to completely renovate the Litchford facility, keep the 24 ACH beds that are currently located there and relocate 11 existing and 20 CON approved ACH beds from UHC/Fuquay-Varina and 20 ACH existing but not utilized beds from UHC/North Raleigh to the Litchford facility for a total of 75 ACH beds. The Litchford facility will be operated by the new provider, Litchford Assisted Living.

The applicants do not propose to offer any new services. The applicants propose to relocate 51 existing and approved ACH beds from two facilities in Wake County to the existing Litchford facility and to renovate the Litchford facility. All three facilities are located in Wake County. UHC/Fuquay-Varina's 31 ACH beds and UHC/North Raleigh's 20 ACH beds are all listed in the inventory of ACH beds in Chapter 11, Table 11A, of the 2014 State Medical Facilities Plan ("SMFP").

The 51 ACH beds being relocated within Wake County from UHC/Fuquay Varina and UHC/North Raleigh to the Litchford facility would be geographically accessible to the same population formerly served. According to Map Quest: 1) the distance from UHC/Fuquay Varina to the Litchford Falls facility is approximately 25.9 miles and 37 minutes, and 2) the distance from UHC/North Raleigh to the Litchford facility is approximately 4.31 miles and 7 minutes. Major transportation corridors connect the UHC/Fuquay Varina facility and the UHC/North Raleigh facility to the Litchford Falls facility.

Therefore, the applicants adequately demonstrated the proposed project will not result in the unnecessary duplication of existing or approved ACH beds within Wake County. 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.

C

The applicants propose to provide personal care staff twenty-four hours per day, seven days per week. In Section VII., pages 55-57, the applicants state that by FFY2019 (the second full federal fiscal year) the adult care facility will be staffed by 48.25 full-time equivalent (FTE) positions. Adequate costs for the health manpower and management positions proposed by the applicants are budgeted in the pro forma financial statements. The applicants adequately demonstrate the availability of sufficient health manpower and management personnel to provide the proposed services. Therefore, the application is conforming to this criterion.

- (8) The applicant shall demonstrate that the provider of the proposed services will make available, or otherwise make arrangements for, the provision of the necessary ancillary and support services. The applicant shall also demonstrate that the proposed service will be coordinated with the existing health care system.

C

In Section II.1, pages 17-24, the applicants describe the ancillary and support services that will be provided by the facility or made available through agreements with other providers including dietary, medical transportation, dentistry, physician, therapy, recreation, personal care, housekeeping and laundry services. Litchford Assisted Living will be a new provider that will utilize existing facility and contracts. The applicants state, on pages 47-48, that they contacted and received support for the proposed project from the Wake County Department of Social Services, Regional Ombudsman, Home Health Agencies, Rex Health Care, WakeMed and Duke Raleigh Hospital. Exhibit 13 contains copies of transfer agreements. The applicants adequately demonstrate that they 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 community. Therefore, the application is conforming to this criterion.

- (9) An applicant proposing to provide a substantial portion of the project's services to individuals not residing in the health service area in which the project is located, or in adjacent health service areas, shall document the special needs and circumstances that warrant service to these individuals.

NA

- (10) When applicable, the applicant shall show that the special needs of health maintenance organizations will be fulfilled by the project. Specifically, the applicant shall show that the project accommodates: (a) The needs of enrolled members and reasonably anticipated new members of the HMO for the health service to be provided by the organization; and (b) The availability of new health services from non-HMO providers or other HMOs in a reasonable and cost-effective manner which is consistent with the basic method of operation of the HMO. In assessing the availability of these health services from these providers, the applicant shall consider only whether the services from these providers:

- (i) would be available under a contract of at least 5 years duration;
- (ii) would be available and conveniently accessible through physicians and other health professionals associated with the HMO;
- (iii) would cost no more than if the services were provided by the HMO; and
- (iv) would be available in a manner which is administratively feasible to the HMO.

NA

- (11) Repealed effective July 1, 1987.
- (12) Applications involving construction shall demonstrate that the cost, design, and means of construction proposed represent the most reasonable alternative, and that the construction project will not unduly increase the costs of providing health services by the person proposing the construction project or the costs and charges to the public of providing health services by other persons, and that applicable energy saving features have been incorporated into the construction plans.

C

The existing Litchford facility located at 8200 Litchford Road, Raleigh is 37,797 square feet. In Section XI, and supplemental information, the applicants propose to both renovate the existing square footage and convert the building for 75 ACH beds. Currently, there are 8 private NF rooms, 41 semi-private NF rooms and 8 semi-private ACH rooms. Eight of the 24 licensed ACH beds are not currently operational to allow for additional private rooms for nursing facility beds and needed office space for professional staff. Upon completion of the renovation there will be 45 private beds and 30 semi-private ACH beds (15 semi-private rooms).

Construction costs for the renovation of the existing building are projected to be \$2,003,000. Exhibit 24 contains a letter from the architect confirming that the construction costs for proposed renovations will be \$2,003,000 with lines 7 and 9 on page 63 in Table VIII.I Estimated Capital Costs.

In Section III, page 36 and in Section XI, pages 83-84, the applicants detail the energy and water saving features to be included in the proposed project which include: high efficiency heat pumps, ozone for the laundry will allow the Litchford facility to wash approximately 90% of its laundry with cold water instead of hot water, use of T8 or T5 lighting to reduce the cost of energy consumption, low flow shower heads, rain barrels for the collection of water for irrigation, low flow toilets and thermal based window panes.

The applicants adequately demonstrate that the cost, design and means of construction represent the most reasonable alternative and that the construction costs will not unduly increase costs and charges for health services. See discussion of costs and charges in Criterion (5) which is incorporated herein by reference. Therefore, the application is conforming with 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 supplemental information the applicants state that the current payor mix for the Litchford facility is 100.0% Special Assistance with Basic Medicaid for the period January through March of 2014.

The Division of Medical Assistance (DMA) maintains a website which offers information regarding the number of persons eligible for Medicaid assistance and estimates of the percentage of uninsured for each county in North Carolina. The following table illustrates those percentages for Wake, Johnston, Franklin and Durham counties and statewide.

	2010 Total # of Medicaid Eligibles as % of Total Population *	2010 Total # of Medicaid Eligibles Age 21 and older as % of Total Population *	CY2008-2009 % Uninsured (Estimate by Cecil G. Sheps Center) *
Wake	10%	3.3%	18.4%
Johnston	17%	6.7%	20.0%
Franklin	18%	7.4%	19.7%
Durham	16%	5.7%	20.1%
Statewide	17%	6.7%	19.7%

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

The majority of Medicaid eligibles are children under the age of 21. This age group does not utilize the same health services at the same rate as older segments of the population, particularly adult care home services.

Moreover, the number of persons eligible for Medicaid assistance may be greater than the number of Medicaid eligibles who actually utilize health services. The DMA website includes information regarding dental services which illustrates this point. For dental services only, DMA provides a comparison of the number of persons eligible for dental services with the number actually receiving services. The statewide percentage of persons eligible to receive dental services who actually received dental services was 45.9% for those age 20 and younger and 30.6% for those age 21 and older. Similar information is not provided on the website for other types of services covered by Medicaid. However, it is reasonable to assume that the percentage of those actually

receiving other types of health services covered by Medicaid is less than the percentage that is eligible for those services.

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

The applicants demonstrate that medically underserved populations have adequate access to the services provided at Litchford Falls Healthcare & Rehabilitation. Therefore, 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 Section VI.5, page 52, Litchford Assisted Living states

"No civil rights access complaints filed against Litchford Assisted Living.

...

...there have been no civil rights access complaints filed against facilities owned or operated by the members/owners of Litchford Assisted Living."

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 supplemental information the applicants project the payor mix for the facility during the second full federal fiscal year (FFY 2019), as illustrated in the table below.

**Projected days as a % of Total Days
October 1, 2018 – September 30, 2019**

Payor	Adult Care Home Residents
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Private Pay	65.0%
Special Assistance with Basic Medicaid	35.0%
Total	100.0%

The applicants demonstrate that medically underserved populations will continue to have adequate access to the adult care home services provided by Litchford Assisted Living. Therefore, the application is conforming to this criterion.

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

C

In Section VI.6, pages 52, the applicants state patients will have access to the services offered at Litchford Assisted Living through the following referral sources:

- Wake County Department of Social Services
- Wake County Health Department
- Ombudson
- Home Health Agencies
- Rex Hospital
- WakeMed
- Duke Raleigh Hospital

The applicants adequately demonstrate they offer a range of means by which residents will have access to the facility. Therefore, the application is conforming to this criterion.

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

C

In Section V.1, page 47, the applicants state

“Litchford Assisted Living will be a new provider utilizing an existing facility and existing contracts. See Exhibit 12 for Litchford Falls’ current training agreement with ECPI for staff training. In addition, Litchford Falls has reached out to Wake Technical Community College to offer the facility as a training site for their students once the renovation is complete.”

Exhibit 12 contains a copy of the training agreement with ECPI and a letter to Wake Technical Community College offering the facility for use with the college’s RN and CNA programs.

The applicants adequately demonstrate that the facility would accommodate the clinical needs of area health professional training programs. Therefore, the application is conforming to this criterion.

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

C

In this application the applicants propose to completely renovate the Litchford facility, keep the 24 ACH beds that are currently located there and relocate 11 existing and 20 CON approved ACH beds from UHC/Fuquay-Varina and 20 ACH existing but not operational beds from UHC/North Raleigh to the Litchford facility for a total of 75 ACH beds. The Litchford facility will be operated by the new provider, Litchford Assisted Living.

The proposal in this application is part of a larger project involving six related facilities (five existing facilities and one new proposed replacement facility) to relocate existing or approved adult care home (ACH) beds and nursing facility (NF) beds to create five single service (either only ACH bed or only NF bed) facilities and one combination service (both ACH and NF beds) facility from five existing combination facilities, as illustrated in the table below:

EXISTING

Existing Facilities	County	ACH beds (existing or approved)	NF beds (existing or approved)
Litchford Falls Healthcare & Rehabilitation Center	Wake	24	90
UHC/Fuquay-Varina	Wake	31	69
UHC/North Raleigh	Wake	20	112
UHC/Nashville	Nash	122	60
UHC/Oxford	Granville	20	160

PROPOSED

Existing Facilities	County	ACH beds (existing or approved)	NF beds (existing or approved)
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Litchford Assisted Living (renamed from Litchford Falls Healthcare & Rehabilitation Center)	Wake	75	0
UHC/Fuquay-Varina	Wake	0	100
UHC/North Raleigh	Wake	0	132
UHC/Wake Forest *	Wake	0	119
UHC/Nashville	Nash	122	0
UHC/Oxford	Granville	20	140

*The new replacement facility

The applicants concurrently submitted four separate CON applications in order to create five single service (either only ACH beds or only NF beds) facilities and one combination service (both ACH and NF beds) facility from five existing combination facilities. The four applications submitted are:

- Project ID # J-10301-14-relocate 20 NF beds from Nash County to Wake County.
- Project ID # J-10302-14- relocate 31 NF beds from Nash County to Wake County.
- Project ID # J-10303-14 – relocate 51 existing or approved ACH beds within Wake County (**this application**).
- Project ID # J-10308-14- develop a new replacement NF bed facility within Wake County by relocating 90 NF beds within Wake County and relocating 29 NF beds from Nash and Granville counties to Wake County.

UHC/Fuquay-Varina’s 31 existing or approved ACH beds and UHC/North Raleigh’s 20 existing ACH beds are all listed in the inventory of ACH beds in Chapter 11, Table 11A, of the 2014 State Medical Facilities Plan (“SMFP”).

In Section II.4, pages 34-36, and supplemental information the applicants discuss the effects of the proposed services on competition in the proposed service area. In supplemental information, the applicants state “... relocation of existing ACH beds from other Universal facilities in Wake County and renovation of the current Litchford facility will enhance competition in the proposed service area and will have a positive impact upon the cost effectiveness, quality, and access to the services proposed, by providing a modern, up to date ACH facility to meet the growing demand for ACH beds. The new facility will also improve efficiencies of operation by creating a facility with a single level of care, as is the new standard in nursing and adult care facilities, rather than continuing to provide a small amount of ACH beds in multiple nursing facilities across Wake County.

Some specific instances of improvement in cost-effectiveness, quality and access include the following:

- *Converting and renovating the current facility will more effectively utilize the resources currently available. No new ACH beds will result because of this proposed renovation.*

- *Operating costs will be spread over a large number of beds coupled with the fact that only one level of service will be offered in the facility.*
- *Assisted living residents do not prefer to be intermingled with nursing residents, a situation which this proposal eliminates.*
- *The proposal increases the number of private ACH beds available to Wake County residents, and makes services more readily available to the disadvantaged.”*

See also Sections II, III, V, VI and VII and supplemental information where the applicants discuss the impact of the project on cost-effectiveness, quality and access.

The applicants adequately demonstrate that any enhanced competition will have a positive impact on the cost-effectiveness, quality and access to the proposed services based on the information in the application and the following analysis:

- The applicants adequately demonstrate the need to relocate 51 ACH beds from UHC/Fuquay Varina and UHC/North Raleigh to the Litchford facility. The applicant also demonstrates that the proposed project is a cost-effective alternative to meet the need to provide access to ACH beds in Wake County. See discussion of utilization in Criterion (3) which is incorporated herein by reference;
- The applicants adequately demonstrate they will continue to provide quality services. The information regarding staffing provided in Section VII is reasonable and credible and demonstrates adequate staffing for the provision of quality care services in accordance with 42 C.F.R., Section 494 (formerly 405.2100). The information regarding ancillary and support services and quality of care programs in Section II, pages 17-21, and coordination of services with the existing health care system in Section V, pages 47-48, and referenced Exhibits, is reasonable and credible and demonstrates the provision of quality care.
- The applicants adequately demonstrate they will continue to provide adequate access to medically underserved populations. The percentage of projected days as a percent of total days for the second full federal fiscal year (FFY 2017) following project completion is 35.0% Special Assistance with Basic Medicaid and 65.0% private pay. (See supplemental information.)

Therefore, 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.

In Section I.12 page 12, the application states that none of the applicants currently own, lease, or manage any other nursing facilities but that the ultimate owner, Mr. Donald Beaver, does own 15 facilities in total in North Carolina which are set forth on page 12. The 15 facilities are managed by another of Mr. Beaver's companies, Choice Health Management Services, LLC

According to the Nursing Home Licensure and Certification Section, DHSR, during the 18 months immediately preceding the submittal of the application through the date of the decision. There was one incident in one facility for which licensure penalties, suspension of admission, provisional licensure or certification deficiencies constituting substandard quality of care were imposed at the facilities listed in Section I, pages 12 of the application. (See also Section II, page 40) After reviewing and considering information provided by the applicants and by the Nursing Home Licensure and Certification Section, and considering the quality of care provided at all 15 facilities, the applicants have provided evidence that quality care has been provided in the past and demonstrated that there is no pattern of substandard quality of care. 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.

NC

The application is not conforming to all applicable *Criteria and Standards for Nursing Facility or Adult Care Home Facility Services*, promulgated in 10A NCAC 14C .1100. The specific criteria are discussed below.

.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.*

-NA- The applicants propose to relocate 51 existing ACH beds.

- (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.*

-NA- The applicants propose to relocate 51 existing ACH beds.

- (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 applicants propose to relocate 51 existing ACH beds.

- (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 applicants propose to relocate 51 existing ACH beds.

- (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 applicants propose to relocate 51 existing ACH beds.

- (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.*

-NA- The applicants propose to relocate 51 existing ACH beds.

.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.*

-NA- The applicants propose to relocate 51 existing ACH beds.

(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 applicants propose to relocate 51 existing ACH beds.

(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.*

-NC- In supplemental information the applicants provide the average historical occupancy of the total number of licensed adult care home beds operated at the Litchford facility over the last nine months. However, in calculating the average occupancy by month and overall for the last nine months the applicants used 16 beds (the number of ACH beds in operation) as opposed to 24 ACH beds (the number of licensed adult care home beds within the facility). The project analyst utilized the 24 ACH beds in the calculations, as illustrated in the table below.

Litchford Facility: Historical Utilization- July 2013 – March 2014

	July 13	Aug 13	Sept 13	Oct 13	Nov 13	Dec 13	Jan 14	Feb 14	Mar 14	Total
Patient Days	466	448	400	417	415	459	430	366	402	3,804
# of Beds	24	24	24	24	24	24	24	24	24	24
Occupancy Rate	62.6%	62.2%	53.8%	56.0%	57.6%	61.7%	59.7%	54.5%	54.2%	58.1%*

*Note: 3,804 / 274 days / 24 beds = 0.57846 or 57.85%

As shown in the table above, the average occupancy over the last nine months of the total number of licensed adult care home beds within the facility in which the new beds are to be operated was 57.85% which is less than the required minimum of 85.0%. Therefore, the application is nonconforming with this rule.

(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.*

- C- In supplemental information the applicants state that projected occupancy at the end of the second full federal fiscal year of operation is projected to be 92.0% for the total number of adult care home beds proposed to be operated as illustrated in the table below. See discussion of utilization assumptions and methodology in Criterion (3) which is incorporated herein by reference.

**Litchford Assisted Living
 Projected Utilization
 Second Project Year (Oct. 1, 2018 – September 30, 2019)**

	1 ST QUARTER	2 ND QUARTER	3 RD QUARTER	4 TH QUARTER	TOTAL
Second Full Project Year (FFY2019)					
Pt. Days	6,348	6,210	6,279	6,348	25,185
# Beds	75	75	75	75	75
Occupancy	92.0%	92.0%	92.0%	92.0%	92.0%

As shown above, occupancy at Litchford Assisted Living is projected to exceed 85.0% for the total number of adult care home beds proposed to be operated for each quarter of the second year following completion of the proposed project. Therefore, the application is conforming to this rule.