

## 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-10308-14 / Universal Properties/Wake Forest, LLC (lessor), Universal Health Care/Raleigh, Inc. (lessee), Universal Properties/Nash, LLC (lessor), Universal Health Care/Nashville, Inc. (lessee), Universal Properties/Oxford, LLC (lessor), and Universal Health Care/Oxford, Inc. (lessee) / Construct a replacement nursing bed facility and relocate 90 nursing facility beds from Litchford Falls Health and Rehabilitation, 9 nursing facility beds from Universal Health Care/Nashville, and 20 nursing facility beds from Universal Health Care/Oxford for a total of 119 nursing facility beds at Universal Health Care/Wake Forest/ 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 Universal Properties/Wake Forest, LLC (lessor), Universal Health Care/Raleigh, Inc. (lessee), Universal Properties/Nash, LLC (lessor), and Universal Health Care/Nashville, Inc. (lessee), Universal Properties/Oxford, LLC (lessor), and Universal Health Care/Oxford, Inc. (lessee). The applicants may be referred to collectively as the applicants or individually by name. The new replacement nursing facility in Wake County shall be referred to as UHC/Wake Forest. The nursing facility in Nash County known as Universal Health Care/Nashville, Inc. shall be referred to as UHC/Nash. The nursing facility in Granville County known as Universal Health Care/Oxford, Inc. shall be referred to as UHC/Oxford. The existing Litchford Falls Health and Rehabilitation facility shall be referred to as Litchford Falls or the Litchford facility. Litchford Falls is owned by UHC/Raleigh, Inc.

In this application, the applicants propose to construct a replacement nursing bed facility in Wake County and relocate 90 nursing facility beds (NF beds) from Litchford Falls, 9 NF beds from UHC/Nash, and 20 NF beds from UHC/Oxford for a total of 119 nursing at the new replacement facility, UHC/Wake Forest.

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 six single service (either only ACH bed or only NF bed) facilities from five existing combination facilities. (See application pages 1-3) Ultimately, all of the facilities and applicants are controlled by the same owner. The overall project is 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 six single service (either only ACH bed or only NF bed) facilities 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.

- 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. **(this application)**

Litchford Falls' 90 existing NF beds, the 9 NF beds from UHC/Nash and the 20 NF beds from UHC/Oxford are all listed in the inventory of NF beds in Chapter 10, Table 10A, of the 2014 State Medical Facilities Plan ("2014 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 NH-6: Relocation of Nursing Facility Beds
- Policy NH-8: Innovations in Nursing Facility Design
- Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities

**Policy NH-6: Relocation of Nursing Facility Beds** states:

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

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

The applicants are proposing to relocate 9 NF beds from Nash County to Wake County, 20 NF beds from Granville County to Wake County and 90 NF beds within Wake County. Nash County and Granville Counties are both contiguous to Wake County. Table 10B: *Nursing Care Bed Need Projections for 2017* of the 2014 SMFP, pages 210-211, states that Wake County has a deficit of 544 NF beds, that Nash County has a surplus of 88 NF beds and that Granville County has a surplus of 22 NF beds. As stated above, in this particular application the applicants propose to relocate 9 NF beds from Nash County to Wake County, 20 NF beds from Guilford County to Wake County and 90 NF beds within Wake County. Overall, as shown above, if this project and Project IDs #: J-10301-14 (transfer 20 NF beds from Nash County to Wake County) and J-10302-14 (transfer 31 NF beds from Nash County to Wake County) are approved a total of 60 NF beds would be relocated from Nash County to Wake County and a total of 20 NF beds would be relocated from Granville County to Wake County. If all three projects are approved, the projects would result in a reduction in

the deficit in Wake County from 544 to 464 NF beds [544-80=464], a reduction in the surplus in Nash County from 88 NF beds to 28 NF beds [88-60=28] and a reduction in the surplus in Granville County from 22 NF beds to 2 NF beds [22-20=2]. The proposed project will not result in a deficit in the number of nursing facility beds in the counties that would be losing nursing facility beds (Nash and Granville Counties) nor will it result in a surplus of licensed nursing facility beds in the county that would be gaining nursing facility beds (Wake County). Furthermore, the 90 NF beds proposed to be relocated from Litchford Falls will be relocated within Wake County to UHC/ Wake Forest.

The application is consistent with Policy NH-6.

**Policy NH-8: Innovations in Nursing Facility Design** states:

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

In Section II, pages 23-24 and Section III.4, pages 48-50, the applicants describe how the proposed project will incorporate innovative approaches in work place practices, environmental design and care practices to address quality of life and quality of care issues of the residents. Privacy, autonomy, resident choice and more home-like settings are all included in the proposed project. The application is consistent with Policy NH-8.

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

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

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

*Any person awarded a certificate of need for a project or an exemption from review pursuant to G.S. 131E-184 are required to submit a plan for energy efficiency and water conservation that conforms to the rules, codes and standards implemented by the Construction Section of the Division of Health Service Regulation. The plan must be*

*consistent with the applicant’s representation in the written statement as described in paragraph one of Policy-GEN 4. The plan shall not adversely affect patient or resident health, safety, or infection control.”*

In Section III, pages 47-48 and Section XI., pages 108-109, the applicants provide a written statement 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.

**C**

In this application, the applicants propose to construct a replacement nursing bed facility in Wake County and relocate 90 nursing facility beds (NF beds) from Litchford Falls, 9 NF beds from UHC/Nash, and 20 NF beds from UHC/Oxford for a total of 119 NF beds at the new replacement facility, UHC/Wake Forest.

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 six single service (either only ACH bed or only NF bed) facilities from five existing combination facilities. (See application pages 1-3) Ultimately, all of the facilities and applicants are controlled by the same owner. The overall project is 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 six single service (either only ACH bed or only NF bed) facilities 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.
- 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. **(this application)**

**Population to be Served**

In Section III.9, page 54, the applicants provide projected patient origin for the NF beds located at UHC/Wake Forest for the first full federal fiscal year (FFY 2017) following completion of the proposed project, as shown in the table below.

**Projected % of Total NF Residents  
 October 1, 2016 – September 30, 2017**

County	UHC/North
--------	-----------

	<b>Raleigh</b>
Wake	71.50%
Granville	9.00%
Vance	5.00%
Nash	4.50%
Warren	1.50%
Halifax	1.00%
Edgecombe	0.50%
Franklin	0.50%
Wilson	0.50%
Durham	0.25%
Others*	5.50%
Total	100.0%

\*Others: Duplin, Lenoir, Chowan, Durham, Johnston, Halifax, Brunswick, New Hanover, Washington, Pitt, Franklin, and Bertie Counties.)

On pages 54-55, the applicants identify the assumptions used to project the patient origin percentages:

- The historical utilization patterns of Litchford Falls, UHC/Nash and UHC/Oxford.
- The 2014 SMFP shows a deficit of 544 NF beds in Wake County. Litchford Falls is an existing facility.
- The existence of an excellent highway system available in Nash County (ie 64 connecting to I-540 or I-40).
- Due to an excellent road system, the northern part of Wake County is an easy 45 minute drive from most any part of Wake County. UHC/Wake Forest is located on US-1 and close to Highway 98.

The applicants adequately identified the population to be served.

### **Need Analysis**

In Section III.1, page 42, the applicants state the need to construct a replacement nursing facility and relocate 90 NF beds from Litchford Falls, 9 NF beds from UHC/Nash in Nash County and 20 NF beds from UHC/Oxford in Granville County to the newly constructed replacement nursing facility.

In Section III.1, page 42, the applicant states Universal has determined that a facility with one level of care:

- leads to better patient care than a combination facility,

- is more economically efficient. [including both the fact that an increase in beds spreads fixed costs over a larger number of beds thus lowering cost. (See application page 47) and that UHC/Wake Forest would be offering only one level of care and thus the facility would not have to share staff between several levels of care. (See application page 64)]

Furthermore, the applicants identify additional reasons to develop the proposed project.

- The 2014 SMFP shows an 88 NF bed surplus in Nash County, a 22 NF bed surplus in Granville County and a 544 NF bed deficit in Wake County. (See application page 41.)
- The proposed project allows the applicants to renovate the Litchford Falls facility and convert it to a single service ACH facility with 75 ACH beds.
- As shown above, ultimately one owner controls all of the existing and proposed facilities involved and this project is part of a larger overall project as described above.

Projected Utilization

In Section IV, pages 58-59, the applicants state that projected occupancy is 93.4% and 95.0% respectively at the end of the first and second full federal fiscal years, as illustrated in the table below.

**UHC/ Wake Forest  
 Projected Utilization  
 First Two Project Years (Oct. 1, 2016 – September 30, 2018)**

	1 <sup>ST</sup> QUARTER	2 <sup>ND</sup> QUARTER	3 <sup>RD</sup> QUARTER	4 <sup>TH</sup> QUARTER	TOTAL
<b>First Full Project Year</b>					
Pt. Days	9,730	10,170	10,283	10,396	40,579
# Beds	119	119	119	119	119
Occupancy	88.9%	95.0%	95.0%	95.0%	<b>93.4%</b>
<b>Second Full Project Year</b>					
Pt. Days	10,401	10,175	10,288	10,401	41,265
# Beds	119	119	119	119	119
Occupancy	95.0%	95.0%	95.0%	95.0%	<b>95.0%</b>

As shown in the table above, in the second full federal fiscal year of operation, UHC/Wake Forest projects the 119 NF beds will operate at 95.0% of capacity [41,265 / 365 / 119 = 0.950 or 95.0%].

In Section II, page 17, Section III, pages 42-48, and Section IV, pages 56-62 the applicants provide the assumptions and methodology used to project utilization for the 119 NF beds at UHC/Wake Forest.

The projected utilization is consistent with the historical utilization of the 90 NF beds in the Litchford Falls facility, as illustrated in the table below.

**Litchford Falls: Historical Utilization-July 2013-March 2014**

	<b>July 13</b>	<b>Aug 13</b>	<b>Sept 13</b>	<b>Oct 13</b>	<b>Nov 13</b>	<b>Dec 13</b>	<b>Jan 14</b>	<b>Feb 14</b>	<b>Mar 14</b>	<b>Total</b>
Patient Days	2,643	2,662	2,588	2,678	2,638	2,540	2,544	2,387	2,607	23,287
# of Beds	90	90	90	90	90	90	90	90	90	90
Occupancy Rate	94.7	98.6	92.8	96.0	97.7	91.0	94.2	94.7	93.4	94.8

In addition, the applicants cite the following factors in support of projected utilization:

- The 2014 SMFP shows a deficit of 544 NF beds in Wake County in 2017, a surplus of 88 NF beds in Nash County and a surplus of 22 NF beds in Granville County.
- Wake population growth. Wake County’s total population is projected to grow from 2010 to 2015 by 16.5%.
- A net average fill up rate of 4 residents per week during the fill up period per the CON application directions.
- Using the formula in the SMFP to determine bed need and the projected Wake County population by township shows a deficit of 343 NF beds in the northern Wake County, the service area of the proposed UHC/Wake Forest facility. See tables on pages 43 and 44. (See application pages 42-45.)
- The Wake Forest area is served by an excellent highway system (US-1 and 98). [See application page 46.]
- UHC/Wake Forest, as a new facility, will increase the accessibility of the residents of Wake County to a modern nursing care facility, especially the residents of northern Wake County. [See application page 65.]

Access

On page 68 of the application the applicants state *“All services provided by Universal Health Care/ Wake Forest for the 119 beds will be non-restrictive [in] relation to low-income persons, social, racial and ethnic minorities, women, handicapped persons, private pay, Medicare and Medicaid beneficiaries, uninsured indigent persons.”* On page 67, the applicants state that UHC/Wake Forest will be a *“modern building designed to be ‘barrier free’ to accommodate the needs of the handicapped population.”*

In Section III, page 47, the applicants state that *“Universal Health Care is proposing to serve 78% of its total patient days to Medicare and Medicaid patients.”* In Table VI.3, page 67 of Section VI, the applicants project 67% Medicaid, 11% Medicare and 7% Hospice as the payor sources in terms of projected days as a percentage of total days. On page 45 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 68, the applicant states that it does not anticipate any resident will need to be transferred from UHC/Wake Forest because of the

“spending down” of private funds. The applicants intend to have all 119 NF beds Medicare and Medicaid certified. *“No payment will be required for Medicare or Medicaid patients upon admission.”* (Page 68)

In summary, the applicants adequately identify the population to be served, the need for the proposed project and the extent to which medically underserved groups are likely to have access to the proposed nursing facility 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 construct a replacement nursing bed facility in Wake County and relocate 90 nursing facility beds (NF beds) from Litchford Falls, 9 NF beds from UHC/Nash, and 20 NF beds from UHC/Oxford for a total of 119 NF beds at the new replacement facility, UHC/Wake Forest.

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 six single service (either only ACH bed or only NF bed) facilities from five existing combination facilities. (See application pages 1-3) Ultimately, all of the facilities and applicants are controlled by the same owner. The overall project is illustrated in the table below:

**EXISTING**

<b>Existing Facilities</b>	<b>County</b>	<b>ACH beds (existing or approved)</b>	<b>NF beds (existing or approved)</b>
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 six single service (either only ACH bed or only NF bed) facilities 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.
- 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. **(this application)**

Table 10B: *Nursing Care Bed Need Projections for 2017* of the 2014 SMFP, pages 210-211, states that Wake County has a deficit of 544 NF beds, that Nash County has a surplus of 88 NF beds and that Granville County has a surplus of 22 NF beds. As stated above, in this particular application the applicants propose to relocate 9 NF beds from Nash County to Wake County, 20 NF beds from Granville County to Wake County and 90 NF beds within Wake County. Overall, as shown above, if this project and Project IDs #: J-10301-14 (transfer 20 NF beds from Nash County to Wake County) and J-10302-14 (transfer 31 NF beds from Nash County to Wake County) are approved a total of 60 NF beds would be relocated from Nash County to Wake County and a total of 20 NF beds would be relocated from Granville County to Wake County. If all three projects are approved, the projects would result in a reduction in the deficit in Wake County from 544 to 464 NF beds [544-80=464], a reduction in the surplus in Nash County from 88 NF beds to 28 NF beds [88-60=28] and a reduction in the surplus in Granville County from 22 NF beds to 2 NF beds [22-20=2]. Nash County would still have a surplus of 28 NF beds and Granville County would still have a surplus of 2 NF beds. Furthermore, the 90 NF beds proposed to be relocated from Litchford Falls will be relocated within Wake County to UHC/ Wake Forest.

The applicants state on page 50 that they will work to ensure that the population presently served by the NF beds will be impacted minimally by the relocation of the NF beds and do not anticipate the project reducing their ability to obtain nursing services in the future as illustrated by the following statements:

*“Universal Health Care/Oxford currently has 40 open beds, so no NF patients will be displaced.” (See application page 50)*

*“NF patients currently at Universal Health Care/Nash will be guaranteed a bed in one of Universal Health Care’s facilities that are receiving the relocated NF beds. If they choose to remain in Nash County, Universal Health Care will assist them in relocating them within the county.” (See application page 50)*

*“Universal will use its best efforts to accommodate the needs of its residents and their families. Universal will first offer the option to transfer to Universal Health Care/Wake Forest to the residents currently at Universal Health Care/Nash and Universal Health Care/Oxford. Should the residents or their families turn down the opportunity to be transferred to Wake Forest, Universal will attempt to relocate the residents within Nash County or Granville County. Currently, Nash County has 40 empty NF beds and Granville County has 40 empty NF beds.” (See application pages 51-52)*

According to Map Quest: 1) the distance from UHC/Nash to the proposed UHC/Wake Forest location is approximately 39.7 miles and 45 minutes; 2) the distance from UHC/Oxford to the proposed UHC/Wake Forest location is approximately 28.7 miles and 35 minutes; and 3) the distance from Litchford Falls to the proposed UHC/Wake Forest location is approximately 10.49 miles and 14 minutes. Major transportation corridors connect the UHC/Nash, Litchford Falls and UHC/Oxford locations with the proposed UHC/Wake Forest location. Thus, the replacement facility would be geographically accessible to the same population formerly served. Exhibit 11 contains letters of support for the proposed project from the resident councils of all three facilities from which NF beds are proposed to be relocated: Litchford Falls, UHC/Nash and UHC/Oxford.

In Section III, page 47, the applicants state that *“Universal Health Care is proposing to serve 78% of its total patient days to Medicare and Medicaid patients.”* On page 45 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.

The percentage of projected days as a percent of total days for the second full federal fiscal year (FFY 2018) following project completion is 78.0% Medicare/Medicaid, 15.0% private pay/commercial, and 7.0% Hospice. (See pages 67 of the application)

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 NF 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.

CA

In Section III.2, pages 45-46, the applicants describe the alternatives considered, which include the following:

- 1) Maintain the Status Quo, Not Transfer any Beds, and
- 2) Just Convert the ACH beds at Litchford Falls to NF beds.

The applicants considered maintaining the status quo, however, the applicants concluded that there was an unmet need for NF beds in the area served by the proposed UHC/Wake Forest facility in the northern section of Wake County. To do nothing or just convert the beds at Litchford Falls would not allow the applicants to meet the needs of the population in need of the proposed services in Wake County. To fail to improve the efficiencies of the facility by converting to a single service facility, would not be the least costly and most effective alternative.

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

In summary, the applicants adequately demonstrate that the proposal is their least costly or most effective alternative to meet the need. Consequently, the application is conforming to this criterion and approved, subject to the following conditions:

- 1. Universal Properties/Wake Forest, LLC (lessor), Universal Health Care/Raleigh, Inc. (lessee), Universal Properties/Nash, LLC (lessor), Universal Health Care/Nashville, Inc. (lessee), Universal Properties/Oxford, LLC (lessor), and Universal Health Care/Oxford, Inc. (lessee) shall materially comply with all representations made in their certificate of need application.**
- 2. Universal Properties/Wake Forest, LLC (lessor), Universal Health Care/Raleigh, Inc. (lessee), Universal Properties/Nash, LLC (lessor), Universal Health Care/Nashville, Inc. (lessee), Universal Properties/Oxford, LLC (lessor), and Universal Health Care/Oxford, Inc. (lessee) shall relocate 119 NF beds to the Universal Health Care/Wake Forest nursing care facility for a total licensed bed complement of no more than 119 NF beds upon completion of the project.**
- 3. Universal Properties/Wake Forest, LLC (lessor), Universal Health Care/Raleigh, Inc. (lessee), Universal Properties/Nash, LLC (lessor), Universal Health Care/Nashville, Inc. (lessee), Universal Properties/Oxford, LLC (lessor), and Universal Health Care/Oxford, Inc. (lessee) shall take the necessary steps to de-license 90 NF beds at Litchford Falls, 9 NF beds at UHC/Nash and 20 NF beds at UHC/Oxford following completion of the bed relocation to UHC/Wake Forest.**

- 4. For the first two full federal fiscal years of operation following completion of the project, UHC/Wake Forest's actual private pay charges shall not be increased more than 5% of the projected private pay charges provided in Section X of the application without first obtaining a determination from the Certificate of Need Section that the proposed increase is in material compliance with the representations made in the certificate of need application.**
  - 5. UHC/Wake Forest shall receive Medicaid per diem rates allowed by the Division of Medical Assistance, under the NC State Plan Section .0102.**
  - 6. Universal Properties/Wake Forest, LLC (lessor), Universal Health Care/Raleigh, Inc. (lessee), Universal Properties/Nash, LLC (lessor), Universal Health Care/Nashville, Inc. (lessee), Universal Properties/Oxford, LLC (lessor), and Universal Health Care/Oxford, Inc. (lessee) 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.**
  - 7. Universal Properties/Wake Forest, LLC (lessor), Universal Health Care/Raleigh, Inc. (lessee), Universal Properties/Nash, LLC (lessor), Universal Health Care/Nashville, Inc. (lessee), Universal Properties/Oxford, LLC (lessor), and Universal Health Care/Oxford, Inc. (lessee) shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Certificate of Need Section, in writing prior to issuance of the certificate of need.**
- (5) Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial feasibility of the proposal, based upon reasonable projections of the costs of and charges for providing health services by the person proposing the service.

C

In Section VIII.1, page 83, the applicants project the total capital cost for the proposal will be \$10,260,522, which consists of:

Site Costs:	\$2,050,000
Construction:	\$6,560,815
Equipment and Furniture:	\$ 892,500
Consultant Fees:	\$ 225,000
Financing Costs:	\$ 275,000
Other:	<u>\$ 257,207</u>

Total: \$10,260,522

In Section VIII.2, page 84, the applicants indicate that the capital cost of the project will be financed by the owner, Don and Vickie Beaver, and government loans. In Section IX, pages 87-88, the applicants state that the working capital will be \$245,000 (\$13,500 in Start-up Expenses and \$231,000 in initial operating expenses) and 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 the 119 bed nursing facility in Wake Forest, 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 \$2,052,122 of owner's equity and up to \$250,000 of working capital for this project."*

Exhibit 16 also contains a letter from Donald and Vickie Loflin Beaver dated June 11, 2014 that states:

*"We hereby agree to provide working capital of \$250,000 to satisfy the CON requirement for a replacement facility at Litchford Falls in Wake Forest, North Carolina which will be Universal Properties/Wake Forest, LLC."*

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

In Section X, pages 97-98, the applicants project charges/rates for the first two operating years following completion of the project. The per diem private pay charge is projected to be \$195.00 for a private room and \$185.00 for a semi-private room in each of the first two full federal fiscal years.

**Projected Per Diem Reimbursement Rates/Charges**

	First FFY 2017		First FFY 2018	
	Private Room	Semi-Private Room	Private Room	Semi-Private Room
Private Pay	\$195.00	\$185.00	\$195.00	\$185.00
Commercial Rates	\$343.00	\$343.00	\$343.00	\$343.00
Medicare*	\$419.00	\$419.00	\$419.00	\$419.00
Medicaid	\$162.28	\$162.28	\$162.28	\$162.28

Other (Hospice)	\$162.28	\$162.28	\$162.28	\$162.28
-----------------	----------	----------	----------	----------

\*For Medicare: the charge reported in this table should be the weighted average of the facility’s RUG rates.

Furthermore, in Form B of the proformas, pages 109-112, the applicants project that revenues will exceed operating costs in both the first and second full federal fiscal year following completion of the proposed project, as shown in the table below.

Net Income	1 <sup>st</sup> Full FFY (2017)	2 <sup>nd</sup> Full FFY (2018)
Total Revenue	\$8,554,587	\$8,705,664
Total Operating Expenses	\$8,429,449	\$8,574,742
Net Profit	\$125,138	\$130,922
Total Direct Cost/Patient Day*	\$143.66	\$143.29
Total Indirect Cost/ Patient Day*	\$63.91	\$64.35
Total Operating Expense/ Patient Day*	\$207.57	\$207.64

\*See proforma’s Form C

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 construct a replacement nursing bed facility in Wake County and relocate 90 nursing facility beds (NF beds) from Litchford Falls, 9 NF beds from UHC/Nash, and 20 NF beds from UHC/Oxford for a total of 119 NF beds at the new replacement facility, UHC/Wake Forest.

The applicants do not propose to offer any new services. The applicants’ proposed project does propose an increase in NF beds in Wake County by 29 NF beds [9 NF beds from Nash County to Wake County and 20 NF beds from Granville County to Wake County]. Table 10B *Nursing Care Bed Need Projections*, of the 2014 SMFP, shows a deficit of 544 NF beds in Wake County in 2017. (See 2014 SMFP page 211.) The proposed project is estimated to be completed in September 2016. In Section III, page 47, the applicant states “*Universal Health Care’s proposal is not a duplication of programs and services in Wake County, but rather improves on services and programs that are currently needed by Wake County residents.*”

The applicants propose to construct a replacement nursing bed facility (UHC/Wake Forest) in Wake County approximately 10.5 miles from the existing Litchford Falls facility and to relocate 9 NF beds from Nash County and 20 NF beds from Granville County to UHC/ Wake Forest. In addition, the applicants propose to relocate 90 NF beds from the Litchford Falls facility to the UHC/Wake Forest facility. Nash and Granville Counties are both contiguous to Wake County. Table 10B: *Nursing Care Bed Need Projections for 2017* of the 2014 SMFP, pages 210-211, states that Wake County has a deficit of 544 NF beds, that Nash County has a surplus of 88 NF beds and that Granville County has a surplus of 22 NF beds. As stated above, in this particular application the applicants propose to relocate 9 NF beds from Nash County to Wake County, 20 NF beds from Granville County to Wake County and 90 NF beds within Wake County. Overall, as shown above, if this project and Project IDs #: J-10301-14 (transfer 20 NF beds from Nash County to Wake County) and J-10302-14 (transfer 31 NF beds from Nash County to Wake County) are approved a total of 60 NF beds would be relocated from Nash County to Wake County and a total of 20 NF beds would be relocated from Granville County to Wake County. If all three projects are approved, the projects would result in a reduction in the deficit in Wake County from 544 to 464 NF beds [544-80=464], a reduction in the surplus in Nash County from 88 NF beds to 28 NF beds [88-60=28] and a reduction in the surplus in Granville County from 22 NF beds to 2 NF beds [22-20=2]. Wake County would still have a projected deficit in 2017 of 464 NF beds. The proposed project is estimated to be completed in September 2016.

Therefore, the applicants adequately demonstrated the proposed project will not result in the unnecessary duplication of existing or approved NF beds in Wake County, Nash County or Granville 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 direct care nursing staff twenty-four hours per day, seven days per week. On page 77, the applicants state that in the second full federal fiscal year there will be 72.80 direct care nursing staff full-time equivalent (FTE) positions (RN's-5.6; LPN's-18.2 and Aides-49.0) which equates to 3.52 nursing hours per patient day. On page 72, the applicants state that Litchford Falls is currently staffed by 75.3 FTE's for 90 NF beds. In Section VII, pages 75-76, the applicants state that by FFY2018 (the second full federal fiscal year) the replacement nursing facility will be staffed by 109.55 FTE positions. On pages 78-81, the applicants describe UHC/Wake Forest's staffing recruitment and retention plan. Furthermore, on page 87, the applicants state that the "*existing staff* [from Litchford Falls] *will transfer to the replacement facility.*" Exhibit 5 contains a letter from Steve Liebowitz, M.D., the current medical director at Litchford Falls in which he states his support for the proposed project and his agreement to continue as the Medical Director. On page 64 of the application, the applicants state that Steve Liebowitz, MD has indicated his willingness to serve as Medical Director for UHC/Wake Forest. 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, pages 18-35, 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, psychological services, hospice, pastoral/chaplain, housekeeping and laundry services including a therapeutic activity program which is *“an individualized plan that provides tasks and opportunities for the resident... Activities are related to past lifestyle, habits, hobbies and work activities.”* In Section V.4, page 64, the applicants state that *“This project is a replacement of an existing facility that has established relationships with local healthcare and social service providers.* See Exhibit 15 for copies of existing service contracts with local health care providers. Exhibit 13 contains copies of existing transfer agreements between WakeMed, Rex Hospital and the existing Litchford Falls facility.

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

As part of the proposed project the applicants propose to construct a 60,105 square foot replacement nursing facility at 13564 Capital Boulevard in Wake Forest. Exhibit 9 contains a copy of a letter dated June 3, 2014 from the architect, which details the estimated construction costs to be \$6,311,025 or approximately \$105 per square foot. This corresponds with line 7 "*Cost of construction contract*" in Table VIII.1- Estimated Capital Costs in Section VII, page 83, of the application. In Section III, pages 47-48 and Section XI., pages 108-109, the applicants provide a written statement describing the proposed project's plan to assure improved energy efficiency and water conservation. On pages 101-105, and Exhibit 22, the applicants demonstrate that the site is currently properly zoned, the property is serviced by public water and sewer service and that the closest water and sewer hookups are at the adjacent property.

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

The applicants propose that NF beds be relocated from the Litchford facility, UHC/Nash and UHC/Oxford. In Section VI, page 66, the applicants provide the current days as a percentage of total days by payor for the FFY 2013 for the Litchford facility as 77.9% Medicare and Medicaid. The UHC/Nash facility payor mix for FFY 2013 was 88.0% Medicare and Medicaid. (See the 2014 License Renewal Application) The 20 NF beds being relocated to UHC/Wake Forest from the UHC/Oxford facility are not currently occupied so they are not serving any medically underserved patients. The NF beds at UHC/Oxford that were occupied for FFY2013 had a payor mix of 91.0% Medicare and Medicaid. (See the 2014 License Renewal Application)

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, Nash, Granville and Vance counties and statewide.

County	2010 Total # of Medicaid Eligibles as % of Total Population *	2010 Total # of Medicaid Eligibles Age 21 and older as % of Total Population *	2009 % Uninsured (Estimate by Cecil G. Sheps Center) *
Wake	10%	3.3%	18.4%
Nash	20%	8.7%	19.7%
Granville	15%	6.3%	18.4%
Vance	30%	13.4%	22.8%
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 the services offered by the Litchford, UHC/Nash and UHC/Oxford nursing facilities.

The DMA website also contains the *Medicaid Annual Report, for State Fiscal Year (SFY) 2008*, the most recent fiscal year for which this data are available. According to this report, the elderly and disabled Medicaid recipients in North Carolina comprised 29% of total Medicaid recipients. Additionally, there were 145,898 aged (age 65+) Medicaid recipients in SFY 2008, which comprised 8.5% of the total Medicaid eligibles in North Carolina [145,898 / 1,726,412 total eligibles = 0.0845]. In Harnett County, data is available for January-August CY 2013. The data shows that, for the first eight months of 2013, the aged comprised 6.8% of the total Medicaid eligibles in the County [5,822 aged / 85,175 total eligibles = 0.0684].

Medicaid Recipients by Eligibility category data compare North Carolina Medicaid recipients grouped by age for SFY 2008 with the general population of the entire state, as shown in the table below:

<b>MEDICAID RECIPIENTS BY ELIGIBILITY CATEGORIES VS. GENERAL POPULATION SFY 2008</b>		
<b>ELIGIBILITY CATEGORY</b>	<b>MEDICAID RECIPIENT</b>	<b>GENERAL POPULATION</b>
Children (aged 5 – 20 years)	38%	24%
Adults (aged 21-64 years)	31%	57%
Children (aged birth-4 years)	21%	7%
Elderly (aged 65 and older)	10%	12%

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

The Office of State Budget & Management (OSBM) maintains a website which provides historical and projected population data for each county in North Carolina. In addition, data are 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 do 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 adequately demonstrate that medically underserved populations have adequate access to the services provided at the Litchford facility, UHC/Nash and UHC/Oxford. 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.6, page 68, the applicants state

*“There have been no civil rights access complaints filed against the existing facility.”*

The application is conforming to this criterion.

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

C

In Section VI, page 67, the applicants provide the projected payor mix for the second full federal fiscal year following completion of the project, October 1, 2017 to September 30, 2018, which is illustrated in the following table:

**Projected Days as % of Total Days  
October 1, 2016-September 30, 2017  
UHC/ Wake Forest**

Payor	Nursing Patients
Private Pay	10.0%
Commercial Insurance	5.0%
Medicare	11.0%
Medicaid	67.0%
Other (Hospice)	7.0%
Total	100.0%

The applicants demonstrate that medically underserved populations will continue to have adequate access to the nursing facility services provided at UHC/ Wake Forest. 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.8, pages 69, the applicants state patients will have access to the services offered at UHC/Wake Forest through the following referral sources:

- Physicians
- Hospitals
- Wake County Human Services
- Hospice
- Home Health Agencies
- Word of Mouth
- Health Department
- Alzheimer's Association

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 63, the applicants reference Exhibit 12 which contains a copy of a letter to Wake Tech Community College's Dean of Nursing seeking to establish UHC/Wake Forest as a location for Wake Tech Community College's CNA and RN 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 construct a replacement nursing bed facility (UHC/Wake Forest) in Wake County approximately 10.5 miles from the existing Litchford Falls facility. The applicants propose to relocate 90 NF beds from the Litchford Falls facility to the UHC/Wake Forest facility and, in addition, to relocate 9 NF beds from Nash County and 20 NF beds from Granville County to UHC/ Wake Forest. Nash County and Granville Counties are both contiguous to Wake County. UHC/ Wake Forest, upon completion of the proposed project, will have 119 NF beds.

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 six single service (either only ACH bed or only NF bed) facilities from five existing combination facilities. (See application pages 1-3) Ultimately, all of the facilities and applicants are controlled by the same owner. The overall project is 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 six single service (either only ACH beds or only NF beds) facilities 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.
- Project ID # J-10308-14- develop a new replacement NF 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. **(this application)**

Table 10B: *Nursing Care Bed Need Projections for 2017* of the 2014 SMFP, pages 210-211, states that Wake County has a deficit of 544 NF beds, that Nash County has a surplus of 88 NF beds and that Granville County has a surplus of 22 NF beds. As stated above, in this particular application the applicants propose to relocate 9 NF beds from Nash County to Wake County, 20 NF beds from Granville County to Wake County and 90 NF beds within Wake County. Overall, as shown above, if this project and Project IDs #: J-10301-14 (transfer 20 NF beds from Nash County to Wake County) and J-10302-14 (transfer 31 NF beds from Nash County to Wake County) are approved a total of 60 NF beds would be relocated from Nash County to Wake County and a total of 20 NF beds would be relocated from Granville County to Wake County. If all three projects are approved, the projects

would result in a reduction in the deficit in Wake County from 544 to 464 NF beds [544-80=464], a reduction in the surplus in Nash County from 88 NF beds to 28 NF beds [88-60=28] and a reduction in the surplus in Granville County from 22 NF beds to 2 NF beds [22-20=2]. Wake County would still have a projected deficit in 2017 of 464 NF beds, Nash County would still have a projected surplus in 2017 of 28 NF beds and Granville County would still have a projected surplus in 2017 of 2 NF beds. The proposed project is estimated to be completed in September 2016.

In Section III, pages 47 and Section V.6, pages 64-65, the applicants discuss the impact of the proposed project on competition in the service area as it relates to promoting cost-effectiveness, quality and access to nursing facility services in Wake County.

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

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 construct a replacement nursing facility in Wake County, UHC/Wake Forest, and relocate 119 NF beds from Wake County, Nash County and Granville County to UHC/Wake Forest. The applicant also demonstrates that the proposed project is a cost-effective alternative to meet the need to provide access to NF 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 18-35, and coordination of services with the existing health care system in Section V, pages 63-65, 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 2018) following project completion is 78.0% Medicare/Medicaid, 15.0% private pay/commercial, and 7.0% Hospice. (See page 67 of the application)

Therefore, the application is conforming with 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

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 41) 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.

G.S. 131E-183(b) The Department is authorized to adopt rules for the review of particular types of applications that will be used in addition to those criteria outlined in subsection (a) of this section and may vary according to the purpose for which a particular review is being conducted or the type of health service reviewed. No such rule adopted by the Department shall require an academic medical center teaching hospital, as defined by the State Medical Facilities Plan, to demonstrate that any facility or service at another hospital is being appropriately utilized in order for that academic medical center teaching hospital to be approved for the issuance of a certificate of need to develop any similar facility or service.

C

The application is 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 are not proposing to establish new nursing facility 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 are not proposing to establish new nursing facility 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 are not proposing to establish new nursing facility 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.*

-C- In Section XI, pages 101 and 103 and Exhibit 21 the applicants specify a primary and secondary site, both available for acquisition, on which the proposed facility could be located.

(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.*

-C- In Section XI, pages 101-105, and Exhibits 21 and 22, the applicants 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.

(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 are not proposing to establish new nursing facility 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 119 existing NF beds to a replacement facility.

(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.*

-C- In Section IV, pages 58-59, the applicants state that projected occupancy at is 93.4% and 95.0% respectively at the end of the first and second full federal fiscal years for the total number of nursing facility 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.

**UHC/ Wake Forest  
 Projected Utilization  
 First Two Project Years (Oct. 1, 2016 – September 30, 2018)**

	1 <sup>ST</sup> QUARTER	2 <sup>ND</sup> QUARTER	3 <sup>RD</sup> QUARTER	4 <sup>TH</sup> QUARTER	TOTAL
<b>First Full Project Year</b>					
Pt. Days	9,730	10,170	10,283	10,396	40,579
# Beds	119	119	119	119	119
Occupancy	88.9%	95.0%	95.0%	95.0%	<b>93.4%</b>
<b>Second Full Project Year</b>					
Pt. Days	10,401	10,175	10,288	10,401	41,265
# Beds	119	119	119	119	119
Occupancy	95.0%	95.0%	95.0%	95.0%	<b>95.0%</b>

(c) *An applicant proposing to add adult care home beds to an existing facility shall not be approved unless the average occupancy, over the nine months immediately preceding the submittal of the application, of the total number of licensed adult care home beds within the facility in which the new beds are to be operated was at least 85 percent.*

-NA- The applicants propose to relocate 119 existing NF beds to a replacement facility.

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

-NA- The applicants propose to relocate 119 existing NF beds to a replacement facility.