

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: April 18, 2016

Project Analyst: Gloria C. Hale
Team Leader: Lisa Pittman

Project ID #: R-11126-16
Facility: Hertford House
FID #: 160064
County: Perquimans
Applicants: Perquimans Propco Holdings, LLC and Perquimans Opco Holdings, LLC
Project: Construct a new 50-bed adult care home in Perquimans 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.

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Need Determination

The 2016 State Medical Facilities Plan (SMFP) establishes a need determination for 50 additional adult care home (ACH) beds in Perquimans County. Perquimans Propco Holdings, LLC (Lessor) and Perquimans Opco Holdings, LLC (Lessee) d/b/a Hertford House propose to construct a new 50-bed adult care home (ACH) in Hertford, Perquimans County. The applicants do not propose to develop more ACH beds than are determined to be needed in Perquimans County and thus, the application is conforming to the need determination in the 2016 SMFP.

Policies

There are two policies in the 2016 SMFP that are applicable to this review: Policy GEN-3: Basic Principles and Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities. There are no other policies applicable to this review.

Policy GEN-3: Basic Principles, on page 39 of the 2016 SMFP, states:

“A certificate of need applicant applying to develop or offer a new institutional health service for which there is a need determination in the North Carolina State Medical Facilities Plan shall demonstrate how the project will promote safety and quality in the delivery of health care services while promoting equitable access and maximizing healthcare value for resources expended. A certificate of need applicant shall document its plans for providing access to services for patients with limited financial resources and demonstrate the availability of capacity to provide these services. A certificate of need applicant shall also document how its projected volumes incorporate these concepts in meeting the need identified in the State Medical Facilities Plan as well as addressing the needs of all residents in the proposed service area.”

Promote Safety and Quality

The applicants describe how they believe their proposal would promote safety and quality in Section II.2, page 14, Section II.5, pages 15-16, Section III.4, page 22, Section V.4, pages 31-32, and Exhibit M which includes a copy of admission requirements for the facility, including policies pertaining to resident safety. The information provided by the applicant is reasonable and adequately supports the determination that the applicants’ proposal would promote safety and quality.

Promote Equitable Access

The applicants describe how they believe their proposal would promote equitable access in Section III.4, page 22, Section V.4, pages 31-32, Section VI, pages 33-34, and Exhibit M which includes a copy of admission requirements for the facility, including its non-discrimination policy.

Maximize Healthcare Value

The applicants describe how they believe their proposal would maximize health care value in Section III.4, page 21, Section IV.4, pages 31-32, and in the applicants’ pro forma financial statements, pages 77-81.

The applicants adequately demonstrate how its projected volumes incorporate the concepts of quality, equitable access and maximum value for resources expended in meeting the need identified in the 2016 SMFP. Therefore, the application is consistent with Policy GEN-3.

Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities, on pages 39-40 of the 2016 SMFP, 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 improving 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 V.4, page 32, and Section XI.14, page 74, the applicants describe how they will assure improved energy efficiency and water conservation. Therefore, the applicants adequately demonstrate that the proposal includes a plan to assure improved energy efficiency and water conservation. See Condition (6) in Criterion (4) regarding the applicants’ need 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.

In summary, the applicants adequately demonstrate that their proposal for 50 additional ACH beds is consistent with the need determination in the 2016 SMFP, Policy GEN-3, and Policy GEN-4. 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.

On page 223, the 2016 SMFP defines the service area for ACH beds as “*the adult care home bed planning area in which the bed is located.*” The planning area is the county, with the exception of Hyde and Tyrell Counties which are a combined service area. Thus, the service area for the proposed facility is Perquimans County. Facilities may also serve residents of counties not included in their service area.

The 2016 SMFP identified a need for 50 additional ACH beds in Perquimans County. Perquimans Propco Holdings, LLC (Lessor) and Perquimans Opco Holdings, LLC (Lessee) d/b/a Hertford House propose to construct a 50-bed ACH facility in Hertford, Perquimans County. In Section I, page 7, the applicants state that management of Hertford House will be provided under contract with Meridian Senior Living Management.

Population to be Served

In Section III.7(a), pages 23-24, the applicants provide the projected patient origin for the first full federal fiscal year of operation, FFY 2019, following completion of the project, as illustrated in the table below. Since the applicants propose to develop a new ACH facility, no historical patient origin is provided.

**Hertford House
Projected Patient Origin, FFY 2019**

COUNTY	PERCENT OF TOTAL
Perquimans	100%
Total	100%

On page 24, the applicants provide the assumptions used to project patient origin, stating that there is sufficient demand for 100 percent of its admissions to come from residents of Perquimans County. In addition, the applicants provide a market and demographic profile of Perquimans County in Exhibit E, and state, on page 24, that they provide sufficient evidence to support projected patient origin. The applicants adequately identify the population to be served.

Analysis of Need

In Section III.1, pages 18-19, the applicants discuss the methodology used in the 2016 SMFP to calculate ACH bed need and states that the gross projected bed need in 2018 is 75 beds. The applicants state that they propose to address a portion of the need by developing 50 beds. In Section III.1, page 18, the applicants state,

“The allocated SMFP need of 74 beds demonstrates an overall need for more adult care home beds. We would like to help the county meet the growing demand for adult care home facility services in Perquimans County.”

However, the 2016 SMFP need determination is for 50 ACH beds, not 74 or 75 ACH beds. Therefore, the applicants are proposing to develop all of the ACH beds determined to be needed in Perquimans County.

On page 19, the applicants provide projected population estimates for specific age groups in Perquimans County for 2018, as follows:

**Population Estimates
Perquimans County, 2018**

Age Groups	Population
45 – 59 yr. olds	2,955
60 – 64 yr. olds	4,372
65 – 84 yr. olds	3,343
85+	345

In Section III.1, page 19, the applicants provide a table with data from the U.S. Census Bureau containing the percent of Perquimans County residents aged 65 and older by disability status in 2013, as follows:

**Disability Status of Residents Aged 65+
2013**

Age Group and Disability Status	Perquimans County	Statewide
Persons 65+ with 0 disabilities	64.2%	61.9%
Persons 65+ with 1 disability	18.6%	16.6%
Persons 65+ with 2 or more disabilities	17.1%	21.5%

Although the applicants do not provide an analysis or interpretation of the data in the table above, the table indicates that the respective percentages of persons aged 65 or older with zero or one disability are higher in Perquimans County than they are statewide. In addition, the percentage of residents aged 65 and older with one disability, 18.6%, and those aged 65 and older with two or more disabilities, 17.1%, could be used to roughly estimate the number of residents aged 65 and older who may have one or more disabilities in 2018, based upon the population estimates by age group that the applicant provides. This can be calculated as follows:

Residents aged 65 – 84 = 3,343

Residents aged 85+ = 345

Sum of these age groups = 3,688

18.6% of residents aged 65+ with one disability = 686 residents (3,688 x .186)

17.1% of residents aged 65+ with 2 or more disabilities = 631 residents (3,688 x .171)

Potential pool of ACH residents = 1,317 (686 + 631)

The Project Analyst concludes that the 50 beds the applicants propose to develop is reasonable based on the potential need calculated.

The applicants state, on page 18, that they have chosen to locate Hertford House in a geographic area of Perquimans County that is “*currently underserved by the existing bed inventory, improves the geographic distribution of beds in the county, and is accessible to the residents of Perquimans County.*” The 2016 SMFP indicates that there is one facility with ACH beds in Perquimans County, Hertford Assisted Living¹, a freestanding ACH facility with 24 licensed beds, also located in Hertford. The applicants provide the number of licensed beds and occupancy rate for Hertford Assisted Living in Exhibit Y. Exhibit Y and the 2015 license renewal application (LRA) for Hertford Assisted Living report an occupancy rate of 0%. Therefore, it would appear that Hertford Assisted Living has available capacity. However, based on the data provided by the applicants in Section III.1, page 19, and as discussed above, there is sufficient need for the additional 50 beds. In addition, the Project Analyst determined that, based on population data obtained by zip code² for Perquimans County, over 89% of the county’s population resides in Hertford. In addition, all areas of the county are within 18 miles of Hertford according to a Perquimans County map obtained by the Project Analyst³.

In Section III.2, page 20, the applicants state, “*The area surrounding our location is also projected to experience growth in its elderly population over the next five years.*” The applicants provide demographic data in Exhibit E which shows growth in the elderly population as follows:

Perquimans County Population by Age Group

Age Group	2015	2020
65-74	15.1%	16.4%
75-84	7.1%	8.9%
85+	2.2%	2.4%

Utilization

In Section IV.2, pages 26-27, the applicants provide projected utilization for Hertford House for the first three operating years following completion of the project, summarized as follows:

¹ The name, Hertford Assisted Living, changed to Hertford Manor, as listed on the facility’s 2015 License Renewal Application. The name change was not reflected in the 2016 SMFP.

² <http://www.zip-codes.com/county/NC-PERQUIMANS.asp>

³ https://en.wikipedia.org/wiki/Perquimans_County,_North_Carolina

**Hertford House
Projected Utilization**

	FFY 2019 (10/1/18 – 9/30/19)	FFY 2020 (10/1/19 – 9/30/20)	FFY 2021 (10/1/20 – 9/30/21)
Number of ACH Beds	50	50	50
Number of Patient Days	11,986	17,385	17,338
Occupancy Rate	65.7%	95.3%	95.0%

In Section IV.2, page 25, the applicants state that they anticipate having 20 beds reserved prior to licensure of the facility as a result of marketing efforts that will begin one month prior to licensure. After these residents move in, the applicants project they will fill the beds at a rate of four residents per month, or approximately one resident per week. However, the applicants' fill rate assumptions in Exhibit L, page 153, state that the facility will begin its operations with 15 reserved beds rather than 20, and the fill rate will be three residents per month until the ACH facility is filled, instead of four per month. In addition, on page 155 of Exhibit L, the applicants provide their projected census, by month, for the first operating year. This fill rate begins with 15 filled beds, then fills four in November and four in December, and then adds three per month for the next seven months, then adds two, and then adds one for a total of 47 beds at the end of the first operating year. Although the applicants' fill rate assumptions conflict, the applicants' total projected number of patient days for each of the first three operating years is consistent in Section IV.2, page 25, Exhibit L, and in the pro formas. In Section IV.2, page 26, the applicants state that their assumptions and methodology are based, in part, on *"The management expertise of Meridian Senior Living and the experience of the Regional Executive, the Chief Operating Officer, and the VP of Quality Assurance Services in opening more than 20 assisted living facilities in North Carolina."*

Projected utilization of Hertford House is based on reasonable and adequately supported assumptions. The applicants adequately demonstrate the need for the proposed project.

Access

In Section VI.2, page 33, the applicants state that 60% of its projected patient days will be covered by Special Assistance with Basic Medicaid. In addition, in Section VI, page 33, the applicants state that the physical design of the facility will accommodate physically handicapped persons and those in need of supervision. The applicants further state, on page 34, that all persons will be admitted to the facility and will have access to services regardless of their race, color, creed, age, national origin, handicap, sex, or source of payment. The applicants adequately demonstrate the extent to which all residents of the area, including medically underserved groups, will have access to the proposed services.

Conclusion

In summary, the applicants adequately identify the population to be served, adequately demonstrate the need this population has for the proposed project, and the extent to which all residents of the area, including underserved groups, will 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.

NA

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

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In Section III.2, page 20, the applicants state that it considered location, services to be offered, and the size of the facility as alternatives they considered. The applicants state that they selected a location for the proposed ACH facility in southwest Perquimans County “*due to the need for beds and the small number of existing ACH providers in this area of the county.*” In addition, they state that the area surrounding their chosen location is expected to experience growth in its elderly population. Moreover, the applicants state that their proposed 50-bed facility is “*an operationally efficient size*” and will allow the Agency to allocate the 75 beds among multiple providers in multiple locations. The Project Analyst acknowledges that the applicants erred in stating that there are 75 beds to be allocated in the county. The 2016 SMFP need determination is for 50 ACH beds in Perquimans County. The applicants refer to Exhibit E, which provides demographic and market data on Perquimans County, including population percentages by age groups. The Project Analyst notes that the proposed location of Hertford House in Hertford, is, in fact, the most populated area of the county with over 89% of the population residing there. Further, the area of growth in the elderly population is the entirety of Perquimans County due to its small size and the fact that the majority of residents live in Hertford.

Therefore, the applicants demonstrate that the project as proposed in this application is the most effective alternative to meet the identified need for 50 additional ACH beds in Perquimans County.

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

In summary, the applicants adequately demonstrate that the project is the least costly or most effective alternative to meet the identified need for ACH beds in Perquimans County. Therefore, the application is conforming to this criterion and approved subject to the following conditions:

- 1. Perquimans Propco Holdings, LLC and Perquimans Opco Holdings, LLC shall materially comply with all representations made in the certificate of need application.**
 - 2. Perquimans Propco Holdings, LLC and Perquimans Opco Holdings, LLC shall develop no more than 50 adult care home beds upon completion of this project.**
 - 3. Prior to the issuance of the certificate of need, Perquimans Propco Holdings, LLC and Perquimans Opco Holdings, LLC shall submit documentation of an invitation to a health professional training program in Perquimans County or an adjacent county to use the facility for training students.**
 - 4. Perquimans Propco Holdings, LLC and Perquimans Opco Holdings, LLC shall provide care to recipients of State/County Special Assistance with Medicaid, commensurate with representations made in the application.**
 - 5. For the first two years of operation following completion of the project, Perquimans Propco Holdings, LLC and Perquimans Opco Holdings, LLC shall not increase actual private pay charges more than 5% of the projected private pay charges provided in Section X of the application without first obtaining a determination from the Healthcare Planning and Certificate of Need Section that the proposed increase is in material compliance with the representations in the certificate of need application.**
 - 6. Perquimans Propco Holdings, LLC and Perquimans Opco Holdings, LLC 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. Perquimans Propco Holdings, LLC and Perquimans Opco Holdings, LLC shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Healthcare Planning and Certificate of Need Section in writing prior to the issuance of the certificate of need.**
- (5) Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial feasibility of the proposal, based upon reasonable projections of the costs of and charges for providing health services by the person proposing the service.

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The 2016 State Medical Facilities Plan (SMFP) establishes a need determination for 50 additional adult care home (ACH) beds in Perquimans County. Perquimans Propco Holdings, LLC (Lessor) and Perquimans Opco Holdings, LLC (Lessee) d/b/a Hertford House propose to construct a new 50-bed adult care home (ACH) in Hertford, Perquimans County.

Capital and Working Capital Costs

In Section VIII.1, page 45, the applicants project the total capital cost of the project will be as follows:

Site Costs	\$1,660,200
Construction Costs	\$3,138,528
Miscellaneous Project Costs	\$1,450,000
Total	\$6,248,728

In Section IX, page 51, the applicants state that \$135,500 in start-up costs and \$202,985 in initial operating expenses are projected for this project for a total working capital amount of \$343,407 [\$338,485].

Availability of Funds

In Section VIII.2, page 46, the applicants state that the capital cost of the project will be financed with a commercial loan. See Exhibit N for a copy of a letter from Locust Point Capital, dated February 12, 2016, which states its interest in providing financing for the project's capital costs. In Section IX.5, page 53, the applicants state that the working capital costs for the project will also be financed with a commercial loan. See Exhibit P for a letter from Locust Point Capital, dated February 12, 2016, which states its willingness to provide financing for the project's working capital costs. The applicants adequately demonstrate that sufficient funds will be available for the capital and working capital needs of the project.

Financial Feasibility

The applicants do not provide audited or unaudited financial statements for either Perquimans Propco Holdings, LLC or Perquimans Opco Holdings, LLC. The applicants state, in Section I.12, page 9, *"The co-applicants are single purpose entities established for the sole purpose of developing and operating Hertford House."*

In the pro forma financial statements for the first three years of the project, the applicants project that revenues will not exceed expenses in project year one, but will exceed expenses in project years two and three, as illustrated in the table below:

Hertford House

ACH Beds	Year 1 FFY2019	Year 2 FFY2020	Year 3 FFY2021
Projected # of Patient Days	11,986	17,385	17,338
Projected Average Charge (Gross Patient Revenue / Projected # of Patient Days)			
Gross Patient Revenue	\$1,124,823	\$1,650,401	\$1,650,401
Deductions from Gross Patient Revenue	\$0	\$0	\$0
Other Revenue	\$0	\$0	\$0
Total Net Revenue	\$1,124,823	\$1,650,401	\$1,650,401
Total Expenses	\$1,321,477	\$1,636,240	\$1,635,569
Net Income	\$(196,654)	\$14,161	\$14,832

In summary, the applicants adequately demonstrate the availability of funds for the capital needs of the proposal. Therefore, the application is conforming to this criterion.

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

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On page 223, the 2016 SMFP defines the service area for ACH beds as “*the adult care home bed planning area in which the bed is located.*” The planning area is the county, with the exception of Hyde and Tyrell Counties which are a combined service area. Thus, the service area for the proposed facility is Perquimans County. Facilities may also serve residents of counties not included in their service area.

The 2016 SMFP identified a need for 50 additional ACH beds in Perquimans County. Perquimans Propco Holdings, LLC (Lessor) and Perquimans Opco Holdings, LLC (Lessee) d/b/a Hertford House propose to construct a 50-bed ACH facility in Hertford, Perquimans County.

There is currently one freestanding ACH facility in Perquimans County, Hertford Manor, currently licensed for 24 ACH beds.

The applicants adequately demonstrate that the proposal would not result in an unnecessary duplication of existing and approved ACH facilities. Therefore, the application is conforming to this criterion.

- (7) The applicant shall show evidence of the availability of resources, including health manpower and management personnel, for the provision of the services proposed to be provided.

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In Section VII.3, page 37, the applicants project that there will be 15 direct care staff positions in the second full federal fiscal year of operation following completion of the project. In regard to converting the proposed direct care staff positions to FTEs, the applicants state, in Section VII.3(b), page 37, and in Section VII.4(b), page 38, that positions working five days per week were multiplied by 1.0 FTE, and that positions working seven days per week, were multiplied by 1.4 FTEs. However, the applicants do not define which staff positions will be working five days per week or which staff positions will be working seven days per week. In Section VII.4(a), page 38, the applicants state, “*All positions are budgeted at 40 hours per week or 2,050 hours annually. See TABLE VII.3.*” Table VII.3, page 41, does not reflect any increases in staffing FTEs which would result from the conversion methodology, illustrated as follows:

Proposed Staff for Hertford House, FFY 2020

STAFFING	# FTEs ACH BEDS
Routine Services	
Supervisor (1/2 Direct Care)	3.0
Personal Care Aide (PCA)	8.0
Medical Technician (Direct Care)	3.0
Care Coordinator	1.0
Dietary	3.5
Activity Services	1.0
Patient Transportation	1.0
Housekeeping and Laundry	1.5
Operation & Maintenance	1.5
Administration & General	2.0
TOTAL POSITIONS	25.0

As illustrated in the table above, the total projected number of routine services staff FTEs is 15.0 and the number of Direct Care staff FTEs is presumed to be 13.50 FTEs (1.5 FTEs for Supervisor, 8.0 PCAs, 3.0 Medical Technicians and 1.0 Care Coordinator).

In Section VII.7, page 43, the applicants state that they will recruit and retain staff through credentialed health professional training programs, the local offices of the North Carolina Employment Security Commission and Chambers of Commerce, and through faith communities among others. In addition, the applicants state they will offer competitive salaries and benefits.

In summary, the applicants provide conflicting information on how the number of direct care staff position FTEs were calculated. However, the Project Analyst concludes that the applicants used 13.5 Direct Care Staff FTEs based on position listings in Table VII.3, page 41. The applicants do not provide the number of direct care hours per patient day, however based on information provided in Section VII.4, pages 38 and 41, and Section IV.2, page 27, the Project Analyst calculates the projected number of direct care hours per patient day as follows:

In Section VII.4, pages 38 and 41, the applicants state that 13.5 FTEs will provide direct care at 2,050 [2,080] hours per year per FTE which is equal to a total of 28,080 hours per year ($13.5 \times 2,080 = 28,080$). In Table IV.2, page 27, the applicants state that there will be 17,385 patient days in operating year two. Therefore, the direct care hours per patient day in operating year two equals 1.62 ($28,080/17,385 = 1.62$).

Therefore, 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.

Adequate costs for the health manpower and management positions proposed by the applicants in Table VII.3 and Section VII are budgeted in the pro forma financial statements. The applicants adequately demonstrate the availability of sufficient health manpower and management personnel to provide the services as proposed in this application. Therefore, the application is conforming to this criterion.

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

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In Section II.2, pages 12-14, the applicants describe the ancillary and support services that will be available to residents of Hertford House. In addition, Exhibit X contains letters from providers of dietary, pharmaceutical, and nurse consultation services, stating their commitment to provide their respective services to the proposed facility. The applicants adequately demonstrate that necessary ancillary and support services will be available and that the proposed services will be coordinated with the existing health care system. Therefore, the application is conforming to this criterion.

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

NA

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

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

NA

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

C

The applicants propose to construct a 50-bed ACH facility, to be located at 1 South Church Street, Hertford. In Section XI.5, the applicants state that the facility will be 23,687 square feet, however in Section XI.9, page 72, the applicants state that the facility will be 47,250 square feet. In Exhibit V, the applicants provide a floor plan of the proposed facility from a licensed architectural firm indicating that the total square footage will be 23,687 square feet. Therefore, the Project Analyst concludes that the information provided on page 72 is erroneous. In Exhibit W, the applicants provide a letter from a licensed architect which estimates the cost for construction per square foot to be \$132.50, which corresponds to the project construction cost per square foot stated in Section XI.10, page 73. In addition, this figure equates to a total construction cost of \$3,138,528 which corresponds to the applicants' construction costs listed in Section VIII.1, page 45. In Section XI.14, page 74, and Exhibit W, the applicants describe the methods that will be used by the facility to enhance energy efficiency. The discussion regarding costs and charges found in Criterion (5) is incorporated herein by reference. The applicants adequately demonstrate that the cost, design and means of construction represent the most reasonable alternative, and that the construction cost will not unduly increase costs and charges for health services. Therefore, the application is conforming to this criterion.

- (13) The applicant shall demonstrate the contribution of the proposed service in meeting the health-related needs of the elderly and of members of medically underserved groups, such as medically indigent or low income persons, Medicaid and Medicare recipients, racial and ethnic minorities, women, and handicapped persons, which have traditionally experienced difficulties in obtaining equal access to the proposed services, particularly those needs identified in the State Health Plan as deserving of priority. For the purpose of determining the extent to which the proposed service will be accessible, the applicant shall show:

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

NA

The applicants are proposing to develop a new, 50-bed ACH facility in Perquimans County.

- (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

The applicants propose to develop a new, 50-bed ACH facility. In Section VI.5, page 34, the applicants state that no civil rights complaints have been filed against any facilities operated by parties related to the applicants.

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

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In Section VI.2, page 33, the applicants project payor mix for the proposed facility for the second full federal fiscal year, FFY 2020, following completion of the project, as follows:

PAYOR	% OF TOTAL ACH PATIENT DAYS
Private Pay	40%
Special Assistance with Basic Medicaid	60%
Total	100%

The applicants demonstrate that medically underserved populations will have adequate access to the adult care home services provided at Hertford House. 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.

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In Section VI.6, page 35, the applicants provide a list of providers and organizations by which a person will have access to the proposed services, including, but not limited to, physicians, hospitals, departments of social services, home health agencies, and word of mouth. The applicants adequately identify the range of means by which residents will have access to the adult care home 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.

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Exhibit K contains documentation from the applicants' proposed management company for Hertford House, Meridian Senior Living, LLC, indicating that contact was made with the Coordinator for Health Occupation at College of the Albemarle for a letter of support. The documentation does not indicate that the proposed facility would offer clinical training to students in health professional training programs at the College of the Albemarle, rather it states that a letter of support was sought. The applicants do not adequately demonstrate that the facility will accommodate the clinical needs of health professional training programs in the proposed service area. Therefore, the application is conforming to this criterion subject to Condition (3) in Criterion (4).

- (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.

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On page 223, the 2016 SMFP defines the service area for ACH beds as "*the adult care home bed planning area in which the bed is located.*" The planning area is the county, with the exception of Hyde and Tyrell Counties which are a combined service area. Thus, the service area for the proposed facility is Perquimans County. Facilities may also serve residents of counties not included in their service area.

There is only one ACH facility in Perquimans County, Hertford Manor, which has 24 beds. In Section V.4, pages 31 - 32, the applicants discuss how the proposed 50-bed ACH facility will promote cost effectiveness, quality, and access to the proposed services. The applicants state,

“The facility will provide resident rooms that are attractive, equipped with new furnishings, and updated energy efficient equipment which will enhance quality of care and reduce operating costs.”

In addition, the applicants state,

“The Applicants have carefully balanced resident care and design considerations in proposing a project that provides quality care but still provides access to the medically underserved by keeping costs low through economies of scale and utilization of a flexible physical plant design.”

See also Sections II, III, V, VI and VII where the applicant discusses the impact of the project on cost-effectiveness, quality and access to the proposed services. This determination is based on the information in the application, and the following analysis:

- ◆ The applicants adequately demonstrate the need for the proposed project and that it is a cost-effective alternative. The discussions regarding analysis of need and alternatives found in Criteria (3) and (4), respectively, are incorporated herein by reference.
- ◆ The applicants adequately demonstrate that they will provide quality services. The discussion regarding quality found in Criteria (1) and (20) is incorporated herein by reference.
- ◆ The applicants demonstrate that they will provide adequate access to medically underserved populations. The discussion regarding access found in Criteria (1) and (13) is incorporated herein by reference.

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.

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In Section I.12, pages 9-10, the applicants state that the proposed facility will be managed by Meridian Senior Living Management which currently manages over 65 adult care homes statewide. According to the Adult Care Licensure and Certification Section of the Division of Health Service Regulation, during the 18 months immediately preceding the submittal of the application through the date of the decision there were 11 incidents in 9 facilities for which certification deficiencies constituting substandard quality of care were found. After reviewing and considering information provided by the applicants and by the Adult Care Licensure and Certification Section, and considering the quality of care provided at all ACH facilities

managed by Meridian Senior Living Management, the applicants provided sufficient evidence that quality care has been provided in the past. 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.

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The application is conforming to all applicable *Criteria and Standards for Nursing Facility or Adult Care Home Services* in 10A NCAC 14C Section .1100. Therefore, the application is conforming to this criterion.

.1101 INFORMATION REQUIRED OF APPLICANT

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

-C- The applicants project the occupancy levels for the first eight calendar quarters in Section IV, pages 26–27. The applicants’ assumptions and methodologies are provided in Section IV.2, pages 25-26, and Exhibit L.

(b) *An applicant proposing to establish new nursing facility or adult care home beds shall project patient origin by percentage by county of residence. All assumptions, including the specific methodology by which patient origin is projected, shall be stated.*

-C- In Section III.7(a), pages 23-24, the applicants project patient origin by county of residence. The applicants’ assumptions and methodology are provided in Section III.7, page 24, and Exhibit E.

(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.

- C- All of Perquimans County is within a 45 mile radius of the proposed facility according to a map obtained by the Project Analyst⁴. Therefore, 100% of the applicant's proposed admissions live within a 45-mile radius. See Section III.7, pages 23-24.

- (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- The applicants state, in Section I.6, page 5, and Section XI.2, page 63, that the proposed location of the facility will be 1 South Church Street, Hertford. The applicants' alternate site, as stated in Section XI.3, page 67, is 100 South Church Street, Hertford. Exhibit R contains letters from Weichert Realtors documenting that the primary and alternate sites are available for acquisition.

- (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- The applicants document, in Exhibits R, S, and U that the primary site is suitable for development in regard to sewer, water, site development, and zoning. The alternate site is suitable for development in regard to sewer, water, and site development, however the current zoning does not permit development of an assisted living facility. However, a letter from Hertford's Town Manager, in Exhibit S, states there is a similar facility nearby and that, "the Town would be agreeable to rezone the property to allow the use, either by right, or by Conditional Use Permit."

- (f) *An applicant proposing to establish new nursing facility or adult care home beds shall provide documentation to demonstrate that the physical plant will conform with all requirements as stated in 10A NCAC 13D or 10A NCAC 13F, whichever is applicable.*

- C- In Section II.2, page 12, the applicants state that the proposed facility will "operate in accordance with 10A NCAC 13B and 13F 'Rules for the Licensing of Adult

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Care Homes,' and North Carolina G.S. Chapter 131D 'Inspection and Licensing of Facilities.' In addition, in Exhibit W, the applicants provide a copy of a letter from an architectural firm which states, "...we will develop construction documents complying with applicable federal, state and local construction and licensure codes for this type of construction."

.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 develop new ACH beds, not nursing facility 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 develop new ACH beds, not nursing facility 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.*

-NA- The applicants are proposing to develop a new ACH 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.*

-C- In Section IV.2, page 27, the applicants state that occupancy for the second full year of operation will be 95.3%. All assumptions and methodology are provided in Section IV, pages 25-26, and in Exhibit L.