

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: January 24, 2017

Findings Date: January 24, 2017

Project Analyst: Celia C. Inman

Assistant Chief: Martha J. Frisone

Project ID #: G-11262-16

Facility: Friends Homes at Guilford

FID #: 030063

County: Guilford

Applicant: Friends Homes, Inc.

Project: Relocate 10 Policy NH-2 beds from Friends Homes West to Friends Homes at Guilford for a total of 10 Policy NH-2 beds, 59 unrestricted NF beds and 60 ACH beds at Friends Homes at Guilford upon completion of this project and Project I.D. #G-11263-16

REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

N.C. Gen. Stat. § 131E-183(a) The Agency 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 applicant, Friends Homes, Inc., proposes to relocate 10 Policy NH-2 beds from Friends Homes West (Friends West) to Friends Homes at Guilford (Friends Guilford) for a total of 10 Policy NH-2 beds, 59 unrestricted nursing facility (NF) beds and 60 adult care home (ACH) beds at Friends Guilford upon completion of this project and Project I.D. #G-11263-16. In concurrently filed Project ID #G-11263-16, the applicant proposes to relocate 10 unrestricted NF beds from Friends Guilford to Friends West for a total of 30 Policy NH-2 beds, 10 unrestricted NF beds, and 40 ACH beds at Friends West at completion of the two concurrently filed and co-dependent projects. Friends Guilford and Friends West are continuing care retirement communities (CCRCs) in Guilford County owned by Friends

Homes, Inc. The total number of NF beds will not change at either location, only the certification classification of 10 NF beds will change at each community. Policy NH-2 beds cannot be certified for Medicaid; unrestricted NF beds can be certified for Medicaid. Furthermore, the proposed projects will have no effect on the Guilford County inventory of NF beds.

Need Determination

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 2016 State Medical Facilities Plan (SMFP). Therefore, there are no need determinations applicable to this review.

Policies

POLICY NH-2: PLAN EXEMPTION FOR CONTINUING CARE RETIREMENT COMMUNITIES and **POLICY NH-6: RELOCATION OF NURSING FACILITY BEDS**, in the 2016 SMFP, are applicable to this review.

Policy NH-2 states:

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

- 1. Will only be developed concurrently with or subsequent to construction on the same site of facilities for both of the following levels of care:*
 - a. independent living accommodations (apartments and homes) for people who are able to carry out normal activities of daily living without assistance; such accommodations may be in the form of apartments, flats, houses, cottages and rooms;*
 - b. licensed adult care home beds for use by people who, because of age or disability, require some personal services, incidental medical services, and room and board to assure their safety and comfort.*
- 2. Will be used exclusively to meet the needs of people with whom the facility has continuing care contracts (in compliance with the North Carolina Department of Insurance statutes and rules) who have lived in a non-nursing unit of the continuing care retirement community for a period of at least 30 days. Exceptions shall be allowed when one spouse or sibling is admitted to the nursing unit at the time the other spouse or sibling moves into a non-nursing unit, or when the medical condition requiring nursing care was not known to exist or be imminent when the individual became a party to the continuing care contract.*

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

One half of the nursing care beds developed under this exemption shall be excluded from the inventory used to project nursing care bed need for the general population. Certificates of need issued under policies analogous to this policy in the North Carolina State Medical Facilities Plans subsequent to the 1985 State Medical Facilities Plan are automatically amended to conform with the provisions of this policy at the effective date of this policy. Certificates of need awarded pursuant to the provisions of Chapter 920, Session Laws 1983 or Chapter 445, Session Laws 1985 shall not be amended.”

The applicant is not developing new Policy NH-2 beds but relocating 10 existing Policy NH-2 beds to another facility. The restriction prohibiting Medicaid certification and who may be admitted continue to be applicable, which is why the Policy applies to this review.

In supplemental information provided by the applicant during the expedited review of this project, the applicant addressed Policy NH-2, stating, *“The receipt of 10 NH-2 beds from Friends Homes West will only further solidify Friends Homes at Guilford’s current practice of ensuring we meet those demands of our current contracted resident population.”* and *“Therefore, we have no intentions nor see future needs that would require us to request Medicaid certification for the 10 NH-2 beds to be received from Friends Homes West.”*

The applicant adequately demonstrates conformance with the requirements of Policy NH-2.

Policy NH-6 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 facility losing beds or moving to a contiguous county is currently serving residents of that contiguous county; and*
2. *Demonstrate that the proposal shall not result in a deficit, or increase and [any]existing 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*

3. *Demonstrate that the proposal shall not result in a surplus, or increase an existing surplus of licensed nursing 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 applicant is proposing to relocate existing NF beds within Guilford County, the host county. Therefore, the application is consistent with Policy NH-6.

Conclusion

In summary, the application is conforming with Policy NH-2 and Policy NH-6. Therefore, the application is conforming with 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

The applicant proposes to relocate 10 Policy NH-2 beds from Friends West to Friends Guilford for a total of 10 Policy NH-2 beds, 59 unrestricted NF beds and 60 ACH beds at Friends Guilford upon completion of this project and Project I.D. #G-11263-16. In concurrently filed Project ID #G-11263-16, the applicant proposes to relocate 10 unrestricted NF beds from Friends Guilford to Friends West for a total of 30 Policy NH-2 beds, 10 unrestricted NF beds, and 40 ACH beds at Friends West at completion of both projects. Friends Guilford and Friends West are CCRCs in Guilford County owned and operated by Friends Homes, Inc. The total number of NF beds will not change at either location, only the certification classification at each community. Furthermore, the proposed projects will have no effect on the total Guilford County inventory of NF beds.

Patient Origin

On page 199, the 2016 SMFP defines the service area for NF beds as, *“the nursing bed care planning area in which the bed is located. Each of the 100 counties in the state is a separate nursing care bed planning area.”* Friends Guilford is located in Guilford County. Thus, the service area for this project consists of Guilford County. Facilities may serve residents of counties not included in their service area.

In Section III.9(b), pages 25-26, the applicant states that the majority of residents in the NF health center of Friends Guilford’s CCRC were previously Independent Living (IL) residents

at the CCRC and therefore were residents of Guilford County. Based on historical patient origin, the applicant identifies the proposed patient origin for the CCRC’s nursing and ACH beds, as illustrated below.

County	% of Total NF Admissions	% of Total ACH Admissions
Guilford	98.0%	97.0%
Brunswick	2.0%	0.0%
Henderson	0.0%	1.5%
Orange	0.0%	1.5%
Total	100.0%	100.0%

The applicant states that the above projection assumes current direct admit residents to the health center will still be residing in their current level of care during the first full federal fiscal year and there are no additional direct admits into the health center from outside of the CCRC. The applicant adequately identifies the population proposed to be served.

Analysis of Need

Friends Guilford and Friends West, two CCRCs owned by Friends Homes, Inc. in Guilford County, have current bed complements as shown in the table below:

Type of CCRC Bed	Friends Homes at Guilford	Friends Homes West
NF Beds by Type		
Policy NH-2 Beds*	0	40
SCU Alzheimer’s Beds	12	0
General NF Beds (excluding SCU)^	57	0
Total NF Beds	69	40
ACH Beds	60	40
IL Units	196	171
Total	325	251

*The 40 Policy NH-2 beds are exclusively for Friends West CCRC residents; 10 of the 40 are certified Medicare only

^Of the 57 licensed general NF beds, 50 are dually certified Medicaid/Medicare

As the table above shows, Friends Guilford currently has 57 unrestricted NF beds, 50 of which are dually licensed and certified Medicaid/Medicare NF beds; Friends Homes West has 40 Policy NH-2 NF beds, 10 of which are certified Medicare only. By policy, NH-2 beds, “Will be used exclusively to meet the needs of people with whom the facility has continuing care contracts (in compliance with the North Carolina Department of Insurance statutes and rules) who have lived in a non-nursing unit of the continuing care retirement community for a period of at least 30 days.” and “Will not be certified for participation in the Medicaid program.” Therefore, Friends West does not have any Medicaid licensed and certified beds

to accommodate its CCRC residents who have depleted their financial resources. Furthermore, Friends West can only fill its 40 NF beds with internal CCRC residents, which does not allow Friends West to meet the outside community’s need/demand for nursing or rehabilitation services. Because of the restrictions associated with the NH-2 beds, the applicant states that Friends West has been operating below target occupancy. In Section III.6, page 23, the applicant states that Friends Guilford has consistently run a nursing bed census in excess of 95%, whereas Friends West has run a nursing census below 90% for an extended period. In fact, in Section IV, page 27, of concurrently filed Project ID #G-11263-16, the applicant shows Friends West’s nursing bed utilization at 82% over the most recent nine month period.

In Section III.1.(a), page 20, the applicant states that Friends West currently has four residents that are residing at Friends Guilford in a Medicaid-certified bed because the residents have depleted their financial resources and Friends Homes West has no Medicaid-certified beds to move the resident into. The applicant further states:

“Many times moving a Medicaid eligible resident from Friends Homes West to Friends Homes at Guilford means a resident may be separated from long-time friends or even a spouse.”

The applicant states that the relocation of Medicaid-eligible residents to Friends Guilford has occurred over the past years and management expects Friends West to continue to see the need for Medicaid beds due to the increasing costs of providing health care along with the increase in life expectancies. The applicant further states:

“The transfer of 10 dually licensed/certified Medicare/Medicaid beds from Friends Homes at Guilford to Friends Home West will meet a need for the Friends Homes West community and outside community without impacting the operations of Friends Homes at Guilford.”

The following table shows the proposed bed complement at the two CCRCs following the completion of this project and concurrently-filed Project ID #G-11263-16.

Type of CCRC Bed	Friends Homes at Guilford	Friends Homes West
NF Beds by Type		
Policy NH-2 Beds*	10	30
SCU Alzheimer’s Beds	12	0
General NF Beds (excluding SCU)^	47	10
Total NF Beds	69	40
ACH Beds	60	40
IL Units	196	171
Total	325	251

*The Policy NH-2 beds are exclusive to the residents of the respective CCRCs. 10 of Friends West’s 30 Policy NH-2 beds are certified Medicare only.

^40 of Friends Guilford's 47 general NF beds are dually licensed; All 10 of Friends West's general NF beds will be dually certified.

As shown in the table above, the total number of licensed NF and ACH beds remains the same for each facility. However, the certification classification of NF beds changes at both facilities, better meeting the needs at each facility. Along with the elimination of the need to accommodate Friends West's Medicaid-eligible residents, the transfer of the 10 Policy NH-2 beds from Friends West to Friends Guilford will enable Friends Guilford to better accommodate its internal CCRC residents, as they age and progress in need for a higher level of care. Following the transfer of the 10 Policy NH-2 beds from Friends West and the transfer of the 10 dually licensed NF beds from Friends Guilford to Friends West, Friends Guilford will be licensed for 10 Policy NH-2 beds and 40 of Friends Guilford's 47 unrestricted NF beds will remain dually certified Medicaid/Medicare beds.

Projected Utilization

In Section IV.2, pages 29-30, the applicant provides projected utilization through the first two full fiscal years (FFY) of operation following project completion (October 1, 2017 – September 30, 2019), as summarized below.

Projected Utilization		
	FFY2018	FFY2019
Total NF Beds	69	69
Patient Days of Care	23,927	23,927
Occupancy Rate	95%	95%
Total ACH Beds	60	60
Resident Days	17,520	17,520
Occupancy Rate	80%	80%

As shown in the above table, the applicant projects an occupancy rate of 95% for the NF beds in the first full fiscal year of operation (FFY2018). The applicant projects the same utilization in the second full fiscal year of operation (FFY2019).

The applicant states that the assumptions and methodology used to project utilization are based on the existing residents of Friends Guilford, with the NF census dropping four residents upon project implementation, January 1, 2017, when Friends West residents currently residing at Friends Guilford are transferred back to Friends West's proposed Medicaid beds. Projected utilization is based on reasonable and adequately supported assumptions.

Access

In Section VI.3, page 37, the applicant provides the projected days of care at Friends Homes Guilford by percentage by payor source, as summarized below.

Friends Homes at Guilford Projected Patient Days as Percent of Total Utilization 10/1/2018-9/30/2019			
Payor Source	Nursing Patients (excluding SCU)	Nursing Patients SCU	ACH Residents
Private Pay	52%	91%	100%
Medicare	6%	0%	0%
Medicaid	42%	9%	0%
TOTAL	100%	100%	100%

As shown in the table above, the applicant projects that 42% of its NF patient days, excluding the special care unit, will be reimbursed by Medicaid and 6% will be reimbursed by Medicare. Medicaid will cover 9% of the special care unit NF days and the rest of the resident days at Friends Guilford will be private pay. The applicant adequately demonstrates the extent to which all residents of the service area will have access to the services.

Conclusion

In summary, the applicant adequately identifies the population to be served, adequately demonstrates the need the population projected to be served has for the proposed project, and adequately demonstrates the extent to which all residents of the service area will have access to the services. Therefore, the application is conforming to this criterion.

- (3a) In the case of a reduction or elimination of a service, including the relocation of a facility or a service, the applicant shall demonstrate that the needs of the population presently served will be met adequately by the proposed relocation or by alternative arrangements, and the effect of the reduction, elimination or relocation of the service on the ability of low income persons, racial and ethnic minorities, women, handicapped persons, and other underserved groups and the elderly to obtain needed health care.

C

In Section III.7, page 24, the applicant states that Friends Guilford has 10 dually certified Medicare/Medicaid beds that are not currently being utilized by Medicaid/Medicare recipients. The applicant further states:

“We do not anticipate any impact on Friends Home [sic] at Guilford since the relocation of beds will still allow them to maintain 40 dually licensed and certified Medicare/Medicaid beds. Based on current and past utilization this number should be more than adequate to support future needs.”

The total number of NF beds will not change at Friends Guilford or Friends West, only the certification classification of 10 beds will change at each community. Furthermore, the proposed projects will have no effect on the total inventory of Guilford County NF beds; therefore, the application is conforming with 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

The proposed project relocates 10 Policy NH-2 beds from Friends West to Friends Guilford for a total of 10 Policy NH-2 beds, 59 unrestricted NF beds and 60 ACH beds at Friends Guilford upon completion of this project and Project I.D. #G-11263-16. In concurrently filed Project ID #G-11263-16, the applicant proposes to relocate 10 unrestricted NF beds from Friends Guilford to Friends West for a total of 30 Policy NH-2 beds, 10 unrestricted NF beds, and 40 ACH beds at Friends West at completion of the concurrently filed and co-dependent projects.

In Section III.2, page 21, the applicant discusses the proposed project which it states is the only effective alternative. The applicant states that Friends West currently does not have any NF beds that are Medicaid certified and has had to relocate its residents who have depleted their assets to Friends Guilford. Those residents have lived at Friends West in independent or assisted living for many years and may even have a spouse living there as well. The applicant states that it does not want to separate those residents from their spouses or the Friends West family. The relocation of the 10 dually certified Medicare/Medicaid NF beds from Friends Guilford to Friends West would alleviate that problem. Relocating 10 Policy NH-2 beds from Friends West to Friends Guilford will allow Friends Guilford to continue providing NF care to Medicaid eligible residents while allowing greater access to NF care to its IL and AL residents, as they age and need more aggressive care. Maintaining the status quo would cause Friends Homes West residents to continue to have to leave the facility when they become Medicaid eligible; therefore, maintaining the status quo was considered unacceptable.

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

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

- 1. Friends Homes, Inc. d/b/a Friends Homes at Guilford shall materially comply with all representations made in the certificate of need application and the clarifying supplemental information provided. In those instances where representations conflict, Friends Homes, Inc. d/b/a Friends Homes at Guilford shall materially comply with the last-made representation.**
- 2. Friends Homes, Inc. d/b/a Friends Homes at Guilford shall relocate no more than 10 Policy NH-2 beds from Friends Home West to Friends Homes at Guilford for a total of 10 Policy NH-2 beds, 59 unrestricted NF beds and 60 ACH beds at**

Friends Guilford upon completion of this project and Project I.D. #G-11263-16. Upon completion of concurrently filed and co-dependent Project ID #G-11263-16, Friends Homes West will have a total of 10 Policy NH-2 beds, 59 unrestricted NF beds and 60 ACH beds.

- 3. The 10 Policy NH-2 NF beds shall not be certified for participation in the Medicaid program.**
 - 4. The 10 Policy NH-2 NF beds shall be used exclusively to meet the needs of persons with whom the facility has continuing care contracts (in compliance with the Department of Insurance statutes and regulations) who have lived in a non-nursing unit of the continuing care facility for a period of at least 30 days. Exceptions shall be allowed when one spouse or sibling is admitted to the nursing unit at the time the other spouse or sibling moves into a non-nursing unit, or when the medical condition requiring nursing care was not known to exist or be imminent when the individual became a party to the continuing care contract.**
 - 5. The 10 relocated Policy NH-2 NF beds shall be located on the same site with the independent living units.**
 - 6. Friends Homes, Inc. d/b/a Friends Homes at Guilford 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 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

The applicant proposes to relocate 10 Policy NH-2 beds from Friends West to Friends Guilford for a total of 10 Policy NH-2 beds, 59 unrestricted NF beds and 60 ACH beds at Friends Guilford upon completion of this project and Project I.D. #G-11263-16. In concurrently filed Project ID #G-11263-16, the applicant proposes to relocate 10 unrestricted NF beds from Friends Guilford to Friends West for a total of 30 Policy NH-2 beds, 10 unrestricted NF beds, and 40 ACH beds at Friends West at completion of both projects. The total number of NF beds will not change at either location, only the certification classification at each community.

Capital and Working Capital Costs

In Section VIII.1, pages 49-50, the applicant states there will be no capital cost associated with this project.

In Section IX, page 54, the applicant states there will be no start-up or initial operating expenses associated with the proposed project.

Availability of Funds

In Section VIII and Section IX, the applicant states that no capital or working capital funding will be necessary for the proposed project.

Financial Feasibility

In the pro forma financial statements (Form B and C), the applicant projects that operating expenses will exceed revenues for the proposed service component and the entire CCRC in the first two full fiscal years of the project, as shown in the following table.

Friends Homes at Guilford

	NF (excluding SCU) FFY 2018 and 2019*	Entire Facility FFY 2018 and 2019*
Projected # of days	19,766	107,979
Projected Average Charge(Gross Patient Revenue / Projected # of days)	\$219	\$111
Patient/Service Revenue	\$4,336,176	\$11,985,873
Other Revenues	\$341,312	\$2,842,346
Total Revenue	\$4,677,488	\$14,828,219
Total Expenses	\$5,107,280	\$16,144,724
Net Income	(\$429,792)	(\$1,316,505)

*Days, revenues and expenses are identical in each FFY.

As the table above shows, the applicant does not expect Friends Guilford to be profitable during the first two full fiscal years of the project. In the concurrently filed application Project ID #G-11263-16, the applicant projects that revenues will exceed expenses for both service components and the entire CCRC at Friends West, as shown below.

Friends Homes West

	NF (excluding SCU) FFY 2018 and 2019*	Entire Facility FFY 2018 and 2019*
Projected # of days	13,870	83,220
Projected Average Charge(Gross Patient Revenue / Projected # of days)	\$267	\$126
Patient Revenue	\$3,701,305	\$10,525,657
Other Revenues	\$227,158	\$2,734,358
Total Revenue	\$3,928,463	\$13,260,015
Total Expenses	\$3,809,893	\$11,901,707
Net Income	\$118,570	\$1,358,308

*Days, revenues and expenses are identical in each FFY.

As discussed previously, Friends Homes, Inc. owns and operates Friends Guilford and Friends West. The following table illustrates the financial outcome of the two concurrently filed and co-dependent projects.

**Friends Homes, Inc.
 Project IDs #G-11262-16 and #G-11263-16**

	FFY 2018 and 2019*
Total Friends Homes Revenue	\$28,088,234
Total Friends Homes Operating Expenses	\$28,046,431
Friends Homes Net Income	\$41,803

*Days, revenues and expenses are identical in each FFY.

As the table above shows, the applicant's concurrently filed and co-dependent projects to relocate beds from one facility to the other result in a combined net income of \$41,803.

The assumptions used by the applicant in preparation of the pro forma financial statements are reasonable, including projected utilization, costs and charges. See the financial section of this application and concurrently filed Project ID #G-11263-16 for the assumptions used regarding costs and charges. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference. The applicant adequately demonstrates that the financial feasibility of the proposal is based upon reasonable projections of costs and charges. The applicant adequately demonstrates the availability of sufficient funds for the operating needs of the project.

Conclusion

The applicant adequately demonstrates that the financial feasibility of this proposal is based upon reasonable projections of costs and charges. Furthermore, the applicant adequately demonstrates that sufficient funds will be available for the operating needs of the project. 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

The applicant proposes to relocate 10 Policy NH-2 beds from Friends West to Friends Guilford for a total of 10 Policy NH-2 beds, 59 unrestricted NF beds and 60 ACH beds at Friends Guilford upon completion of this project and Project I.D. #G-11263-16. In concurrently filed Project ID #G-11263-16, the applicant proposes to relocate 10 unrestricted NF beds from Friends Guilford to Friends West for a total of 30 Policy NH-2 beds, 10 unrestricted NF beds, and 40 ACH beds at Friends West at completion of both projects. The total number of NF beds will not change at either location, only the certification classification at each community. Furthermore, the proposed projects will have no effect on the Guilford County inventory of NF beds.

On page 199, the 2016 SMFP defines the service area for NF beds as, “*the nursing bed care planning area in which the bed is located. Each of the 100 counties in the state is a separate nursing care bed planning area.*” Friends Guilford is located in Guilford County. Thus, the service area consists of Guilford County. Facilities may serve residents of counties not included in their service area.

According to the 2016 SMFP there are 2,441 licensed NF beds in Guilford County. The 2016 SMFP, indicates there will be a surplus of 320 NF beds in Guilford County in 2019, as shown in the table below.

Total NF Bed Need Projected in 2019	Currently Licensed	Planning Inventory	Surplus	Additional Beds Needed
2,024	2,441	2,344	320	0

Source: Table 10B, 2016 State Medical Facilities Plan.

However, in this project, the applicant merely proposes to relocate 10 Policy NH-2 NF beds from its existing Friends West CCRC to its existing Friends Guilford CCRC. In concurrently filed Project ID #G-11263-16, the applicant proposes to relocate 10 unrestricted NF beds from its Friends Guilford CCRC to its Friends West CCRC. The total number of NF beds will not change at either facility or in Guilford County. Only the certification classification of 10 beds will change at each facility.

The applicant adequately demonstrates the need to relocate the beds. The discussion regarding need for the relocation of the beds found in Criterion (3) is incorporated herein by reference. Consequently, the applicant adequately demonstrates that the proposed project will not unnecessarily duplicate existing or approved NF beds in Guilford County. 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.

C

In Section VII.3, pages 45-46, the applicant projects the staffing for the NF beds and total CCRC in the second full fiscal year of operation (FFY2019), as shown in the table below.

Salaried Staff Positions	Number of Staff FTE Positions				
	Nursing (w/o SCU)	Nursing SCU	ACH	IL	Total
Director of Nursing	0.80	0.10	0.10	0.00	1.00
Assistant Director of Nursing	0.80	0.10	0.10	0.00	1.00
Staff Development Coordinator	0.60	0.10	0.20	0.10	1.00
MDS Nurse	1.60	0.20	0.20	0.00	2.00
Clinic Nurse	0.00	0.00	0.00	1.00	1.00
Infection Control Nurse	0.80	0.10	0.10	0.00	1.00
RNs	4.20	0.00	1.40	0.00	5.60
LPNs	7.00	4.20	2.80		14.00
CNAs	36.40	11.20	15.40	0.00	63.00
Ward Secretary	2.25	0.30	0.45	0.00	3.00
Medical Records	0.80	0.10	0.10	0.00	1.00
Driver	0.60	0.20	0.20		1.00
Dietary Services (Supervisor, Cooks, Aides, Nutritionist Manager, Asst Manager)	11.38	4.12	11.90	27.60	55.00
Social Work Services (Director, Asst)	0.80	0.20	1.00	1.00	3.00
Activity Services (Director, Asst, Wellness Dir)	1.00	1.00	1.00	1.50	4.50
Housekeeping (Supervisor, Techs, Aides)	3.80	1.20	4.00	13.50	22.50
Oper & Maint (Dir, Super, Tech, Purchasing, Groundskeeper, Admin Asst, Security Guards)	1.16	0.34	1.50	12.50	15.50
Admin & Gen (Administrator, HR Mgr, HR Clerk, Orientation, Marketing, Reception, Admin Sec)	0.92	0.18	0.60	4.30	6.00
TOTAL FTE POSITIONS	74.91	23.64	41.05	61.50	201.10

Friends Guilford maintains contractual agreements for the Medical Director, Pharmacy Consultant, Dietician, Physical Therapy, Occupational Therapy, and Speech Therapy.

On page 43, the applicant provides a table which illustrates the number of direct care staff per shift. In Section VII.4, page 47, the applicant provides the direct care nursing staff hours per patient day. The applicant projects that NF patients (excluding SCU) will receive 0.44 RN, 0.74 LPN and 3.83 CNA direct care nursing hours per patient day for a total of 5.01 direct

care hours per patient day. The proposed NF staffing (excluding SCU) increases 0.10 FTE above the current staffing as shown on pages 41-42. In Section V.3, page 34, the applicant states that Friends Homes, Inc. has a long standing relationship with the current Medical Director and his practice, which is a component of Moses Cone Health System.

The applicant adequately demonstrates 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

Exhibit 1 contains a copy of Friends Homes, Inc.'s management agreement with PHI Management Service, LLC. In Section VII, the applicant discusses various contractual arrangements to include: pharmacy and physical, speech, and occupational therapies. Exhibit 4 contains a transfer agreement with Moses Cone Health System and a facility evacuation agreement with Friends West. The applicant discusses coordination with the existing health care system in Section V, pages 34-35.

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

NA

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

C

In Section VI.2, page 36, the applicant provides the payor mix by percentage for Friends Guilford during FFY2015, as summarized below.

Friends Homes at Guilford				
Current Patient Days as Percent of Total Utilization				
10/1/2014-9/30/2015				
Payor Source	Nursing Patients (excluding SCU)	Nursing Patients SCU	ACH Residents	IL Residents
Private Pay	70%	92%	100%	100%
Medicare	4%	0%	0%	0%
Medicaid	26%	8%	0%	0%
TOTAL	100%	100%	100%	100%

As shown in the table above, the applicant states that 26% of its nursing patient days, excluding the special care unit, were reimbursed by Medicaid and 4% were

reimbursed by Medicare. Medicaid covered 8% of the special care unit nursing days and the rest of the patient days at Friends Guilford were private pay.

The United States Census Bureau provides demographic data for North Carolina and all counties in North Carolina. The following table contains relevant demographic statistics for the applicant's service area.

Percent of Population						
County	% 65+	% Female	% Racial and Ethnic Minority*	% Persons in Poverty**	% < Age 65 with a Disability	% < Age 65 without Health Insurance**
2014 Estimate	2014 Estimate	2014 Estimate	2014 Estimate	2010-2014	2010-2014	2014 Estimate
Guilford	14%	53%	48%	17%	7%	18%
Statewide	15%	51%	36%	17%	10%	15%

<http://www.census.gov/quickfacts/table> Latest Data as of 12/22/15

*Excludes "White alone" who are "not Hispanic or Latino"

***"This geographic level of poverty and health estimates are not comparable to other geographic levels of these estimates. Some estimates presented here come from sample data, and thus have sampling errors that may render some apparent differences between geographies statistically indistinguishable... The vintage year (e.g., V2015) refers to the final year of the series (2010 thru 2015). Different vintage years of estimates are not comparable."

However, a direct comparison to the applicant's current payor mix would be of little value. The population data by age, race or gender does not include information on the number of elderly, minorities, women or handicapped persons utilizing health services.

The applicant demonstrates that it currently provides adequate access to medically underserved populations. 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.2, page 36, the applicant shows that 26% and 4% of the care provided in the NF (excluding SCU) beds at Friends Guilford was reimbursed by Medicaid and Medicare, respectively. See Exhibit 5 for Friends Guilford's resident agreement covering admissions, fees, obligations and rights. In Section VI.6, page 38, the applicant states that it is not aware of any documented civil rights access complaints having been filed. 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.3, page 37, the applicant provides the projected payor mix for FFY2019 (Project Year 2), as shown in the following table.

Friends Homes at Guilford Projected Patient Days as Percent of Total Utilization 10/1/2018-9/30/2019				
Payor Source	Nursing Patients (excluding SCU)	Nursing Patients SCU	ACH Residents	IL Residents
Private Pay	52%	91%	100%	100%
Medicare	6%	0%	0%	0%
Medicaid	42%	9%	0%	0%
TOTAL	100%	100%	100%	100%

On page 37, the applicant states that admission to nursing care is made primarily from within the facility, with priority being given to the needs of those residents who are members of the community and secondly to those on the current waiting list. In supplemental information requested by the Project Analyst during the expedited review of this project, the applicant states:

“Table VI.2 represents actual payor data statistics from our 9/30/15 Medicaid Cost Report. Information presented in Table VI.3 is based on our current/pending resident population payor sources as of the CON submittal date. As of today Friends Homes at Guilford has 18 Medicaid residents with 7 pending approval. The overall reasoning for the increase Medicaid census from 9/30/15 is related to longevity of our resident population in our health center as well as an increase of residents moving through the continuum of care at a faster pace, which has accelerated the utilization of their assets to pay for continued care.”

The applicant demonstrates that medically underserved populations will have adequate access to the proposed services. 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.7, page 38, the applicant describes the range of means by which a person will have access to the proposed services, stating:

“Friends Homes at Guilford receives referrals from local hospitals, other nursing facilities, assisted living facilities, Department of Social Services, Hospice and individuals and families from the community.”

The applicant adequately demonstrates that the facility will offer a range of means by which patients will have access to the proposed services. 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 34, the applicant refers to Exhibit 3, which contains Friends Homes, Inc.’s professional training agreements with Guilford Technical Community College and Western Guilford High School. The applicant demonstrates that the proposed health services will accommodate the clinical needs of health professional training programs in the area. 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

The applicant proposes to relocate 10 Policy NH-2 beds from Friends West to Friends Guilford for a total of 10 Policy NH-2 beds, 59 unrestricted NF beds and 60 ACH beds at Friends Guilford upon completion of this project and Project I.D. #G-11263-16.

On page 199, the 2016 SMFP defines the service area for NF beds as, *“the nursing bed care planning area in which the bed is located. Each of the 100 counties in the state is a separate nursing care bed planning area.”* Friends Homes at Guilford is located in Guilford County. Thus, the service area consists of Guilford County. Facilities may serve residents of counties not included in their service area.

In concurrently filed Project ID #G-11263-16, the applicant proposes to relocate 10 unrestricted NF beds from Friends Guilford to Friends West for a total of 30 Policy NH-2 beds, 10 unrestricted NF beds, and 40 ACH beds at Friends West upon the completion of the two concurrently filed and co-dependent projects.

Friends Guilford and Friends West, the two CCRCs owned by Friends Homes, Inc. and located in Guilford County, have current bed complements as shown in the table below:

Type of CCRC Bed	Friends Homes at Guilford	Friends Homes West
NF Beds by Type		
Policy NH-2 Beds*	0	40
SCU Alzheimer's Beds	12	0
General NF Beds (excluding SCU)^	57	0
Total NF Beds	69	40
ACH Beds	60	40
IL Units	196	171
Total	325	251

*The 40 Policy NH-2 beds are exclusively for Friends West CCRC residents; 10 of the 40 are certified Medicare only

^Of the 57 licensed general NF beds, 50 are dually certified Medicaid/Medicare

The following table shows the proposed bed complement at the two CCRCs following the completion of this project and concurrently-filed Project ID #G-11263-16.

Type of CCRC Bed	Friends Homes at Guilford	Friends Homes West
NF Beds by Type		
Policy NH-2 Beds*	10	30
SCU Alzheimer's Beds	12	0
General NF Beds (excluding SCU)^	47	10
Total NF Beds	69	40
ACH Beds	60	40
IL Units	196	171
Total	325	251

*The Policy NH-2 beds are exclusive to the residents of the respective CCRCs. 10 of Friends West's 30 Policy NH-2 beds are certified Medicare only.

^40 of Friends Guilford's 47 general NF beds are dually licensed; All 10 of Friends West's general NF beds will be dually certified.

As shown in the tables above, the total number of licensed NF and ACH beds remains the same at each facility. However, the certification classification of NF beds changes at both facilities, better meeting the needs at each facility. The applicant does not propose to increase the number of licensed NF beds, add services, or acquire equipment for which there is a need determination methodology in the 2016 SMFP.

In Section V.6, page 35, the applicant discusses how any enhanced competition will have a positive impact on the cost-effectiveness, quality and access to the proposed services, stating that the most positive impact will be on Friends West, which will be able to offer high-quality nursing care to residents who have exhausted their resources and not require them to move from their home to receive the Medicaid benefits. The applicant further states that the change in the certification of the 10 beds at Friends Guilford will not impact residents at Friends Guilford.

See also Sections II, III, V, VI, and VII where the applicant discusses the impact of the project on cost-effectiveness, quality and access.

The information provided by the applicant in the application is reasonable and adequately demonstrates that any enhanced competition in the service area includes a positive impact on the cost-effectiveness, quality and access to the proposed services. This determination is based on the information in the application and the following analysis:

- The applicant adequately demonstrates the need to relocate services within the Friends Homes, Inc. two CCRC facilities in Guilford County and that it is a cost-effective alternative. The discussions regarding analysis of need and alternatives found in Criterion (3) and (4), respectively, are incorporated herein by reference.
- The applicant adequately demonstrates that it will continue to provide quality services. The discussion regarding quality found in Criterion (20) is incorporated herein by reference.
- The applicant demonstrates that it will continue to provide adequate access to medically underserved populations. The discussion regarding access found in Criterion (13) is incorporated herein by reference.

The application is conforming to this criterion.

- (19) Repealed effective July 1, 1987.
- (20) An applicant already involved in the provision of health services shall provide evidence that quality care has been provided in the past.

C

In Section I.12, page 8, the applicant lists Friends Homes at Guilford and Friends Homes West as the only nursing facilities owned and operating by Friends Homes, Inc. in North Carolina. On pages 8-9, the applicant further states that its management company, PHI Management Services, LLC, which is wholly-owned by Presbyterian Homes, Inc., manages several facilities in North Carolina, including:

- The Presbyterian Home of High Point,
- Scotia Village, in Laurinburg,
- Glenaire, in Cary, and

- River Landing at Sandy Ridge, in High Point.

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 were no incidents for which certification deficiencies constituting substandard quality of care were found at the facilities listed on pages 8-9 of the application and above. After reviewing and considering information provided by the applicant and by the Nursing Home Licensure and Certification Section and considering the quality of care provided at all six facilities, the applicant 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.

NA