

## ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: January 27, 2017

Findings Date: January 27, 2017

Project Analyst: Mike McKillip

Team Leader: Fatimah Wilson

Project ID #: G-11269-16

Facility: The Crossings at Greensboro

FID #: 160498

County: Guilford

Applicants: Greensboro AL Investors, LLC (Lessor)  
Greensboro Operations, LLC (Lessee)

Project: Acquisition and relocation of a 92-bed adult care home facility to a new facility which will include a 44-bed special care unit for patients with Alzheimer's disease and dementia

### 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.

### CA

The applicants, Greensboro AL Investors, LLC and Greensboro Operations, LLC, propose to relocate 92 existing adult care home (ACH) beds from Arbor Care Assisted Living, 510 Banner Avenue in Greensboro (Guilford County) to a new facility, The Crossings at Greensboro, to be developed on Whitehurst Road in Greensboro. The applicants propose to develop 44 of the beds as a special care unit (SCU) to serve patients with Alzheimer's disease or other forms of dementia.

Table 11A of Chapter 11 of the 2016 State Medical Facilities Plan (SMFP) lists Arbor Care Assisted Living with 92 ACH beds in the inventory of Guilford County ACH 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 SMFP. Therefore, there are no need determinations applicable to this review.

## **Policies**

The following two policies are applicable to this review:

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

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

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

- 1. Demonstrate that the facility losing beds or moving to a continuous county is currently serving residents of that contiguous county; and*
- 2. Demonstrate that the proposal shall not result in a deficit, or increase and existing deficit in the number of licensed adult care home beds in the county that would be losing adult care home beds as a result of the proposed project, as reflected in the North Carolina State 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 adult care home beds in the county that would gain adult care home beds as a result of the proposed project, as reflected in the North Carolina State Facilities Plan in effect at the time the certificate of need review begins.”*

Both the existing and proposed facility will be located in Guilford County. The application is consistent with Policy LTC-2.

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

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

*In approving a certificate of need proposing an expenditure greater than \$5 million to develop, replace, renovate, or add to a health service facility pursuant to G.S. 131E-178,*

*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 is 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."*

The proposed capital expenditure is greater than \$5 million. In Section XI.9, page 55, the applicants state:

*"The new facility will be made with the newest materials and construction standards that will create energy efficiencies, especially when compared to the old facility. ... Additionally, modern plumbing and water heating technologies will be employed to ensure that energy can be conserved when it comes to water usage."*

See Exhibit 21 for a letter from the architect which outlines the plan for the proposed project to comply with all energy and water conservation standards, rules and codes.

The applicants adequately demonstrate the proposal includes a plan to assure improved energy efficiency and water conservation. Therefore, the application is consistent with Policy GEN-4, subject to Condition #5 in Criterion (4).

### **Conclusion**

In summary, the applicants adequately demonstrate that their proposal is consistent with Policy LTC-2: Relocation of Adult Care Home Beds and Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities. Therefore, the application is conforming to this criterion, subject to Condition #5 in Criterion (4).

- (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.

The applicants, The Crossings at Greensboro, propose to relocate 92 existing adult care home (ACH) beds from Arbor Care Assisted Living from 510 Banner Avenue in Greensboro (Guilford County) to a new facility to be developed on Whitehurst Road in Greensboro. The applicants propose to develop 44 of the beds as a special care unit (SCU) to serve patients with Alzheimer’s disease or other forms of dementia. In Section I.10, page 8, the applicants state management of the proposed facility will be contracted to Harmony Senior Services.

**Patient Origin**

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. Ninety-eight counties in the state are separate adult care home planning areas. Two counties, Hyde and Tyrell, are considered a combined service area.*” Thus, the service area for this project consists of Guilford County. Facilities may also serve residents of counties not included in their service area.

In Section III.7, page 31, the applicants provide the projected patient origin as shown in the table below.

<b>County</b>	<b>% of Total ACH Residents</b>
Guilford	90%
Forsyth	4%
Randolph	2%
Rockingham	2%
Alamance	1%
Davidson	1%
<b>Total</b>	<b>100%</b>

In Section III.7(a), page 31, the applicants state they have no access to historical patient origin data from the existing Arbor Care Assisted Living facility. On page 31, the applicants state,

*“The Applicants believe the large majority of residents will come from Guilford County. Forsyth County will probably also be a source of residents given its proximity and large population. Randolph and Rockingham Counties are smaller in population, but also have easy access to the proposed location because of the major thoroughfares that run from those counties to the proposed location.”*

The applicants adequately identified the population to be served.

**Analysis of Need**

In Section IV.1, page 33, the applicants state they are unable to provide historical utilization information for the existing Arbor Care Assisted Living facility because “*the current facility is not operated by the Applicants, and the Applicants do not have access to the current*

*operator's records.*" However, on page 33 of the application, the applicants provide historical utilization for that facility based on information obtained from the facility's license renewal application, which indicates the existing facility operated at an average annual occupancy rate of 59% in FY2015.

In Section IV.2, pages 33-34, the applicants provide projected utilization for the first two operating years, as shown in the table below:

<b>THE CROSSINGS AT GREENSBORO PROJECTED UTILIZATION</b>		
	<b>1<sup>ST</sup> FULL YEAR CY2019</b>	<b>2<sup>ND</sup> FULL YEAR CY2020</b>
<b>Adult Care Home Beds (excluding Special Care Unit)</b>		
Patient Days	8,303	14,133
Occupancy Rate	47.4%	80.7%
Number of Beds	48	48
<b>Special Care Unit</b>		
Patient Days	9,058	15,418
Occupancy Rate	56.4%	96.0%
Number of Beds	44	44
<b>Total Adult Care Home Beds</b>		
Patient Days	17,361	29,550
Occupancy Rate	51.7%	88.0%
Number of Beds	92	92

As shown in the table above, in the second FFY of operation, the applicants project the 92 ACH beds will operate at 88% of capacity [(29,550 days / 365 days per year) / 92 beds = 0.88]. In Section IV.2, page 34, the applicants describe their assumptions for projecting utilization as follows:

*"For the projected utilization in the tables [on pages 33-34], it was assumed that the facility would open with 10% occupancy. In the management company's (Harmony Senior Services) experience, marketing and resident recruitment is initiated several months before the facility is opened, and 10% occupancy at opening is a conservative estimate. After the facility opens, occupancy is projected to increase at a consistent rate until it reaches 88% at the end of the first year of operations [sic]."*

Projected utilization is based on reasonable and adequately supported assumptions regarding continued growth.

In Section III.1, pages 20 - 22, the applicants describe the need to relocate the 92 existing ACH beds from Arbor Care Assisted Living to develop a new 92-bed ACH facility in Greensboro. The information provided by applicants is summarized below:

- The existing ACH facility was constructed in 1943 and, therefore, is not built to current standards for adult care home facilities with regard to patient amenities or operating efficiencies.
- The existing facility is located in a less convenient, less densely populated area of Guilford County than the proposed facility, which means the proposed facility will be more accessible to a larger proportion of the Guilford County population.
- The existing Arbor Care Assisted Living facility experiences a low resident census due to the age and condition of the facility, as well as the location within Guilford County. Moving the ACH beds to a new and modern facility in a better location will increase utilization of the ACH beds.
- The proposed facility will include a 44-bed special care unit for persons suffering from Alzheimer's disease and dementia, which will allow residents to age in place, and further increase the census. On page 22-28, the applicants provide statistics that project an increase in the number of people with Alzheimer's disease or other forms of dementia in Guilford from 2015 through 2020.

In Section III.2, page 21, the applicants describe the need for the proposed special care unit as follows:

*“Additionally, there are 15 facilities in Guilford County that have special care units. According to their 2016 License Renewal Applications, the average census for special care units was 76.2%. However, eight of those facilities have censuses of greater than 85%. The Applicants have come to the conclusion that there is a need for more special care unit beds in newer facilities that are purpose built for residents with Alzheimer's and dementia. The Applicants believe that a new facility with a special care unit specifically designed to accommodate the needs of those suffering from Alzheimer's and dementia would attract not only those looking at other facilities in the county, but also those who have traditionally look outside the county and those who have not previously considered care in a facility at all.”*

The applicants adequately demonstrate the need to relocate and replace the 92 ACH beds from Arbor Care Assisted Living to a new 92-bed facility, to include a 44-bed special care unit for patients with Alzheimer's disease and dementia, to be located in Greensboro.

### **Access**

In Section VI.3, page 37, the applicants state “...all persons will be admitted to the facility without regard to their race, color, creed, age, national origin, handicap, sex, or source of payment; and all routine and specialized services will be available to persons regardless of their race, color, creed, age, national origin, handicap, sex, or source of payment.” On page 38, the applicants state “Private-pay patients in the special care unit who spend down

*and become eligible for Medicaid will not be discharged from the facility if there is a bed available in a room designed for dual occupancy in the special care unit.”*

In Section VI.2, page 37, the applicants project the following payor mix during the second operating year (CY2020):

<b>Payor Source</b>	<b>Projected ACH Patient Days as a % of Total Days</b>
Private Pay	78.3%
Special Assistance with Basic Medicaid	21.7%
Total	100.0%

As shown in the table above, the applicants project that 21.7% of residents will qualify for Special Assistance with Basic Medicaid. In Section VI.5, page 39, the applicants state,

*“The applicants propose a new facility that will allow for the highest quality of care available. Underserved groups, such as those relying on Medicaid, who qualify for special care unit services, will be served by the new facility in special care unit rooms designed to accommodate dual occupancy without regard to payor source. ... The Applicants project that the majority of residents will be private pay. However, the facility will be able to leverage the higher private pay rates to provide residents relying on Medicaid with a much higher quality of care than they would experience in the many other facilities in Guilford County that do not appeal to private pay residents. Additionally, the proposed facility will prove more cost effective because it will provide a higher quality of care in exchange for the same Medicaid rates the other facilities are receiving.”*

The applicants adequately demonstrate the extent to which all residents of the area, including underserved groups, are likely to have access to the proposed services.

### **Conclusion**

In summary, the applicants adequately identify the population to be served, adequately demonstrate the need to acquire, replace and relocate the 92 existing ACH beds within Guilford County, and adequately demonstrate the extent to which all residents of the area, including underserved groups, are likely to have access to the proposed ACH services following relocation of the beds to a new facility. 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

The applicants, The Crossings at Greensboro, propose to relocate 92 existing ACH beds from Arbor Care Assisted Living, located at 510 Banner Avenue in Greensboro, to a new facility to be developed on Whitehurst Road in Greensboro. The proposed site for The Crossings at Greensboro is approximately 9 miles and 20 minutes driving time from the existing Arbor Care Assisted Living location. In Section III.6, page 30, the applicants state,

*“The current operators may plan to operate the current facility up until the new facility opens. The Applicants anticipate that many of the current residents will chose [sic] to relocate to the proposed facility. Those who do not seek accommodations [sic] the 35 other facilities housing adult care home beds in Guilford County or the residents’ county of origin. The current operators will coordinate the relocation of residents who do not move to the proposed facility.*

*The Applicants do not anticipate any negative medical or financial impacts for the current residents as a result of the beds’ relocations. Those who chose [sic] to move to the new facility will experience an increase in the quality of care due to the higher level of care provided in the special care unit and the new facility as a whole. The Applicants anticipate that the remaining residents will be able to seek accommodations [sic] the 35 other facilities house adult care home beds in Guilford County or the residents’ county of origin.”*

In Section VI.3, page 37, the applicants state, *“Otherwise, as long as beds are available in appropriate rooms: all persons will be admitted to the facility without regard to their race, color, creed, age, national origin, handicap, sex, or source of payment; and all routine and specialized services will be available to persons regardless of their race, color, creed, age, national origin, handicap, sex, or source of payment.”*

The applicants demonstrate that that the needs of the population presently served will be adequately met and that the proposal will not adversely affect the ability of underserved groups to obtain needed health care. Therefore, the application is conforming to this criterion.

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

CA

In Section III, pages 28 - 29, the applicants describe the following alternatives:

- Renovate the Existing Arbor Care Assisted Living Facility – The applicants state this was not an effective alternative because the current site location does not effectively serve the population in need of services.

- Construct a New facility on the Arbor Care Assisted Living site – The applicants state this was not an effective alternative because the current site location does not effectively serve the population in need of services.

After considering that alternative, the applicants state the alternative represented in the application is the most effective alternative to meet the identified need.

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

In summary, the applicants adequately demonstrate that this 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. Greensboro AL Investors, LLC and Greensboro Operations, LLC shall materially comply with all representations made in the certificate of need application.**
- 2. Greensboro AL Investors, LLC and Greensboro Operations, LLC shall relocate no more than 92 ACH beds from Arbor Care Assisted Living to its proposed facility, The Crossings at Greensboro, for a facility total of no more than 92 ACH beds, which may include a 44-bed special care unit.**
- 3. For the first two years of operation following completion of the project, The Crossings at Greensboro 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 Agency that the proposed increase is in material compliance with the representations in the certificate of need application.**
- 4. Greensboro AL Investors, LLC and Greensboro Operations, LLC shall provide care to recipients of State/County Special Assistance with Medicaid consistent with the representations made in Section VI.2.**
- 5. Greensboro AL Investors, LLC and Greensboro Operations, 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.**
- 6. Greensboro AL Investors, LLC and Greensboro Operations, LLC shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Agency 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 applicants, The Crossings at Greensboro, propose to relocate 92 existing ACH beds from Arbor Care Assisted Living to a new 92-bed ACH facility to be developed on Whitehurst Road in Greensboro.

**Capital and Working Capital Costs**

In Section VIII.1, page 45, the applicants state the total capital cost for the proposed 92-bed ACH facility is projected to be as follows:

**The Crossings at Greensboro ACH Facility Project Capital Cost**

<b>Cost Category</b>	<b>Projected Capital Cost</b>
Site Costs	\$1,685,718
Construction Costs	\$8,983,380
Miscellaneous Project Costs	\$1,857,785
<b>TOTAL CAPITAL COST</b>	<b>\$12,526,883</b>

Source: Table on page 45 of the application.

**Availability of Funds**

In Section VIII.2, page 46, the applicants state that the \$9,395,161 in project capital costs for the proposed ACH facility will be funded by a commercial loan, and \$3,131,721 will be funded by the owner's equity of James R. Smith. In Exhibit 12, the applicants provide a letter dated October 13, 2016, from Synovus Financial Corporation documenting its intention to provide a commercial loan in the amount of \$9,395,161 to finance the construction proposed project. In Exhibit 14, the applicants provide a letter dated October 13, 2016 from Meeks & Young, CPA, documenting that James R. Smith, the majority member of Greensboro AL Investors, LLC, has sufficient liquid assets to fund the proposed equity contribution of \$3,131,721. The applicants adequately demonstrate that sufficient funds will be available for the capital needs of the project.

**Financial Feasibility**

In Table IX.3, page 50, the applicants project that the per diem reimbursement rate/charge will be \$166.17 for private pay patients in a private room and \$73.17 for State/County Special Assistance patients in a semi-private room. The applicants further project that the per diem reimbursement rate/charge will be \$194.17 for private pay patients in a private special care unit (SCU) room and \$106.02 for State/County Special Assistance for a semi-private SCU room.

In the pro forma financial statements (Form B), the applicant projects that operating revenue will exceed expenses in the second full year of operation of the project, as shown in the table below.

**Projected Revenue and Expenses for The Crossings at Greensboro**

	<b>First Full CY2019</b>	<b>Second Full CY2020</b>
Projected Patient Days	17,361	29,550
Projected Revenue/Patient Day	\$158.20	\$158.20
Total Revenue	\$2,746,461	\$4,674,828
Total Operating Expenses	\$3,553,009	\$4,028,013
<b>Net Income (Loss)</b>	<b>(\$806,548)</b>	<b>\$646,815</b>

The assumptions used by the applicants in preparation of the pro forma financial statements are reasonable, including projected utilization, costs and charges. See the financial section of the application for the assumptions used regarding costs and charges. The discussion regarding utilization projections found in Criterion (3) is incorporated herein by reference. The applicants adequately demonstrate the availability of sufficient funds for the operating needs of the project and that the financial feasibility of the proposal is based upon reasonable and adequately supported assumptions regarding projected utilization, revenues (charges) and operating costs.

**Conclusion**

In summary, the applicants adequately demonstrate the financial feasibility of the proposal is based upon reasonable and adequately supported assumptions regarding projected utilization, revenues (charges) and operating costs. 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 applicants, The Crossings at Greensboro, propose to relocate 92 existing ACH beds from Arbor Care Assisted Living from 510 Banner Avenue in Greensboro to a new facility to be developed on Whitehurst Road in Greensboro. The applicants propose to develop 44 of the beds as a special care unit (SCU) to serve patients with Alzheimer’s disease or other forms of dementia.

On page 223, the 2016 SMFP defines the service area for adult care home beds as “*the adult care home bed planning area in which the bed is located. Ninety-eight counties in the state are separate adult care home planning areas. Two counties, Hyde and Tyrell, are considered a combined service area*”. Thus, the service area for this project consists of

Guilford County. Facilities may also serve residents of counties not included in their service area.

Table 11A of the 2016 SMFP indicates that there are currently a total of 37 facilities in Guilford County with licensed ACH beds. The table below is a summary of those facilities in Guilford County, from the 2016 SMFP, Chapter 11, Table 11A and Table 11B. There is a projected surplus of 481 ACH beds in 2019 for Guilford County.

<b>2016 ACH INVENTORY AND 2019 NEED PROJECTIONS FOR GUILFORD COUNTY</b>	
# ACH Facilities	37
# Beds in ACH Facilities	1,951
# Beds in Nursing Facilities	389
Total Licensed Beds	2,340
# CON Approved Beds (License Pending)	0
Total # Available	2,340
Total # in Planning Inventory	2,327
Projected Bed Utilization Summary	1,846
Projected Bed Surplus (Deficit)	481

The applicants do not propose to develop new ACH beds, but rather to relocate 92 existing ACH beds, currently operated in Arbor Care Assisted Living, to a new 92-bed ACH facility. There will be no increase in the inventory of ACH beds or the number of facilities in Guilford County. The discussions regarding analysis of need, including projected utilization, access, and alternatives found in Criteria (3) and (4), respectively, are incorporated herein by reference. The applicants adequately demonstrate that the proposed project would not result in the unnecessary duplication of existing or approved ACH beds in Guilford County. Consequently, the application is conforming to this criterion.

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

C

In Section VII.2, page 42, the applicants provide projected staffing for the proposed facility in the second operating year (CY2020), as shown in the table below.

<b>The Crossings at Greensboro Proposed Total Staffing in Year Two (CY2020)</b>			
<b>Position</b>	<b>ACH (Excluding SCU)</b>	<b>SCU</b>	<b>Number of Full- Time Equivalent (FTE) Positions Project Year 2</b>
<b>Routine Services</b>			
Supervisor	1.00	1.00	2.00
Nurse	0.50		0.500
Personal Care Aid	7.00	18.20	25.20
Other	4.90	4.90	9.80
<b>Dietary</b>			
Food Service Supervisor	0.50		0.50
Cooks	2.40		2.40
Dietary Aides	2.40		2.40
<b>Activities</b>			
Activities Director	1.00		1.00
<b>Housekeeping/Laundry</b>			
Housekeeper Supervisor	1.00		1.00
Housekeeping Aides	1.00		1.00
<b>Operations &amp; Maintenance</b>			
Maintenance Supervisor	1.00		1.00
<b>Admin. &amp; General</b>			
Administrator	0.50		0.50
Admissions Coordinator	1.00		1.00
Bookkeeper	1.00		1.00
Other	1.00		1.00
<b>TOTAL POSITIONS</b>	<b>26.20</b>	<b>24.10</b>	<b>50.30</b>

In Section II.1, page 12, the applicants state they will contract with a local physician to be the Medical Director for the facility. The applicants adequately demonstrate the availability of sufficient health manpower and management personnel to provide the proposed services. Therefore, the application is conforming to this criterion.

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

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In Section II.1, pages 10 - 13, the applicants describe the ancillary and support services that will be provided by the facility or made available through agreements with other providers including dietary, medical transportation, dentistry, physician, therapy, recreation, personal care, housekeeping and laundry services. In Section V.4, page 35, the applicants state:

*“Given the previous experience of Harmony Senior Services opening and managing new facilities, the applicants anticipate that relationships and referral agreements will be created with local agencies and persons in the position to refer residents. Additionally, the facility will reach out to local authorities, such as the Guilford County Adult Care Coordinator, to streamline the process for referring residents, especially those relying on Medicaid and County Special Assistance.”*

The applicants adequately demonstrate that the 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 develop a three-story, 72,730 square foot replacement facility, with 92 ACH beds, including a 44-bed special care unit, on Whitehurst Road in Greensboro. Exhibit 21 contains a letter from an architect that estimates that construction costs will approximate \$107.00 per square foot, based similar recently constructed facilities. Therefore, based on the architect's letter, construction costs would be estimated as \$7,782,110 [72,730 square feet X \$107.00 = \$7,782,110]. In Section VIII.1, page 45, the applicants project construction costs of \$8,983,379. Therefore, the applicants have projected construction costs that are higher than those estimated by the architect. In Section XI.9, page 55, the applicants describe the methods that will be used by the facility to maintain efficient energy operations and contain the costs of utilities. 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 Crossings at Greensboro does not currently operate any ACH beds.

(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;

NA

The Crossings at Greensboro does not currently operate any ACH beds.

(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.2, page 37, the applicants provide the projected payor mix for ACH services at The Crossing at Greensboro for the second operating year (CY2020), as shown in the following table:

<b>Payor Category</b>	<b>ACH Percent of Patient Days (excluding SCU)</b>	<b>SCU Percent of Patient Days</b>	<b>Total Percent of Patient Days</b>
Private Pay	100.0%	54.5%	78.3%
Special Assistance-Basic Medicaid	0.0%	45.5%	21.7%
Total	100.0%	100.0%	100.0%

As shown in the table above, the applicants project that 21.7% of total patient days will be provided to recipients of Special Assistance-Basic Medicaid. In Section VI.5, page 39, the applicants state,

*“The applicants propose a new facility that will allow for the highest quality of care available. Underserved groups, such as those relying on Medicaid, who qualify for special care unit services, will be served by the new facility in special care unit rooms designed to accommodate dual occupancy without regard to payor source. ... The Applicants project that the majority of residents will be private pay. However, the facility will be able to leverage the higher private pay rates to provide residents relying on Medicaid with a much higher quality of care than they would experience in the many other facilities in Guilford County that do not appeal to private pay residents. Additionally, the proposed facility will prove more cost effective because it will provide a higher quality of care in exchange for the same Medicaid rates the other facilities are receiving.”*

The applicants demonstrate that medically underserved populations will have adequate access to the adult care home services provided by The Crossings at Greensboro. 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.3, page 37, the applicants state that admission to the facility will be on the written order of a physician. In Exhibit 11, the applicants provide a copy of the Admissions Policy. The applicants adequately demonstrate 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

Exhibit 8 contains a copy of a letter dated September 21, 2016 and addressed to Guilford County Technical Community College offering the facility as a training site for the college's nursing assistants program. The information provided is reasonable and adequately supports a determination that 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 applicants, The Crossings at Greensboro, propose to relocate 92 existing ACH beds from Arbor Care Assisted Living from 510 Banner Avenue in Greensboro to a new facility to be developed on Whitehurst Road in Greensboro. The applicants propose to develop 44 of the beds as a special care unit (SCU) to serve patients with Alzheimer's disease or other forms of dementia.

On page 223, the 2016 SMFP defines the service area for adult care home beds as "*the adult care home bed planning area in which the bed is located. Ninety-eight counties in the state are separate adult care home planning areas. Two counties, Hyde and Tyrell, are considered a combined service area*". Thus, the service area for this project consists of Guilford County. Facilities may also serve residents of counties not included in their service area.

Table 11A of the 2016 SMFP indicates that there are currently a total of 37 facilities in Guilford County with licensed ACH beds. The table below is a summary of those facilities in Guilford County, from the 2016 SMFP, Chapter 11, Table 11A and Table 11B. There is a projected surplus of 481 ACH beds in 2019 for Guilford County.

<b>2016 ACH INVENTORY AND 2019 NEED PROJECTIONS FOR GUILFORD COUNTY</b>	
# ACH Facilities	37
# Beds in ACH Facilities	1,951
# Beds in Nursing Facilities	389
Total Licensed Beds	2,340
# CON Approved Beds (License Pending)	0
Total # Available	2,340
Total # in Planning Inventory	2,327
Projected Bed Utilization Summary	1,846
Projected Bed Surplus (Deficit)	481

The applicants do not propose to develop new ACH beds, but rather to relocate 92 existing ACH beds, currently operated in Arbor Care Assisted Living, to a new 92-bed ACH facility. There will be no increase in the inventory of ACH beds or the number of facilities in Guilford County.

In Section VI.5, the applicants discuss how the project will promote the cost-effectiveness, quality and access to the proposed services. See also Sections II, III, V, VI and VII where the applicants discuss the impact of the project on cost-effectiveness, quality and access to the proposed services

The information in the application is reasonable and adequately demonstrates that any enhanced competition in the service area includes a positive impact 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, including projected utilization, 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 Criterion (20) is incorporated herein by reference.
- The applicants demonstrate that they will provide adequate access to medically underserved populations. The discussions regarding access found in Criteria (3), (3a) and (13) are 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.

In Section II.2, page 18, the applicants state that Harmony Senior Services, the proposed management company for the new facility, currently operate one facility in North Carolina, The Crossings at Reynolds Mountain. According to the files in the Adult Care Licensure Section, DHSR, during the 18 months immediately preceding the submittal of this application through the date of the decision, the facility has not been found to be out of compliance with any Medicare conditions of participation. After reviewing and considering information provided by the applicant and by the Adult Care Licensure Section, 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.

NA

The Criteria and Standards for Nursing Facility or Adult Care Home Facility Services promulgated in 10A NCAC 14C .1100 are not applicable because the applicants do not propose to establish new adult care home beds.