

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming
CA = Conditional
NC = Nonconforming
NA = Not Applicable

Decision Date: July 20, 2018
Findings Date: July 20, 2018

Project Analyst: Mike McKillip
Assistant Chief: Lisa Pittman

Project ID #: J-11506-18
Facility: William M. Dunlap Center for Caring
FID #: 980041
County: Wake
Applicant: Hospice of Wake County, Inc. d/b/a Transitions LifeCare
Project: Develop six additional hospice inpatient beds pursuant to the need determination in the 2018 SMFP for a total of 30 hospice inpatient beds upon project completion

REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

N.C. Gen. Stat. §131E-183(a) The Department shall review all applications utilizing the criteria outlined in this subsection and shall determine that an application is either consistent with or not in conflict with these criteria before a certificate of need for the proposed project shall be issued.

- (1) The proposed project shall be consistent with applicable policies and need determinations in the State Medical Facilities Plan, the need determination of which constitutes a determinative limitation on the provision of any health service, health service facility, health service facility beds, dialysis stations, operating rooms, or home health offices that may be approved.

C

The applicant, Hospice of Wake County, Inc. d/b/a Transitions LifeCare [**Transitions LifeCare**], proposes to develop six additional hospice inpatient beds pursuant to the need determination in the 2018 SMFP for a total of 30 hospice inpatient beds upon project completion.

Need Determination

The 2018 State Medical Facilities Plan (SMFP) includes a hospice inpatient bed need determination for ten additional hospice inpatient beds in the Wake County Service Area. The applicant submitted an application for six additional hospice inpatient beds in response to the need identified in the 2018 SMFP for ten additional hospice inpatient beds in Wake County,

and there were no other applications submitted for those beds. The applicant does not propose to develop more hospice inpatient beds than are determined to be needed in the Wake County Service Area. Thus, Transitions LifeCare's proposal is consistent with the need determination in the 2018 SMFP for hospice inpatient beds in Wake County.

Policies

Policy GEN-3: Basic Principles, on page 33 of the 2018 SMFP is applicable to this review. Policy GEN-3 states:

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

In Section III.3, pages 53-55, the applicant explains why it believes its application is conforming to Policy GEN-3.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion for the following reasons:

- The applicant does not propose to develop more hospice inpatient beds than are determined to be needed in the service area.
- The applicant adequately demonstrates that the proposal is consistent with Policy GEN-3 for the following reasons:
 - The applicant adequately documents how the project will promote safety and quality in the delivery of acute care services in Wake County;
 - The applicant adequately documents how the project will promote equitable access to acute care services in Wake County; and

- The applicant adequately documents how the project will maximize healthcare value for the resources expended in Wake County.
- (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, Transitions LifeCare (TL), proposes to develop six additional hospice inpatient beds pursuant to the need determination in the 2018 SMFP. Transitions LifeCare operates a hospice facility, the William M. Dunlap Center for Caring, which is currently licensed for 24 hospice inpatient beds and six residential hospice beds. The applicant proposes to convert the six residential hospice beds to six inpatient hospice beds, for a total of 30 hospice inpatient beds upon project completion. In Section III.1, page 37, the applicant describes the project as follows:

“Acknowledging both the growing demand for hospice services in Wake County and the recent expansion of its hospice inpatient facility, TL proposed to develop six (6) additional hospice inpatient beds by converting its six residential beds to hospice inpatient beds. In doing so, TL may respond to the growing demand for its hospice inpatient services in a cost-effective manner. The proposed project will require no capital expenditure. Additionally, access for residential patients will not be impacted because residential patients may receive residential care services in hospice inpatient beds. For information purposes, hospice inpatients may not receive inpatient level of care in a residential bed. Therefore, the proposed project will provide TL maximum flexibility to treat both inpatient and residential patients in the hospice home.”

Patient Origin

On page 320, the 2018 SMFP defines the service area for hospice inpatient services as the planning area in which the bed is located. Each of the 100 counties in the state is a separate hospice inpatient facility bed planning area. Thus, the service area is Wake County. Facilities may serve residents of counties not included in their service area.

In Sections III.11 and III.12, pages 60-61, the applicant identifies the historical (FY2017) and projected (FY2020-FY2021) patient origin for inpatient and residential hospice patients at the Transitions LifeCare hospice facility, as shown in the following table:

COUNTY	HISTORICAL FY2017 ADMISSIONS AS PERCENT OF TOTAL		PROJECTED FY2020-FY2021 ADMISSIONS AS PERCENT OF TOTAL	
	INPATIENT	RESIDENTIAL	INPATIENT	RESIDENTIAL
	Wake	92.3%	93.8%	92.3%
Johnston	1.8%	0.0%	1.8%	0.0%
Harnett	1.7%	0.0%	1.7%	0.0%
Durham	1.2%	6.3%	1.2%	6.3%
Franklin	0.8%	0.0%	0.8%	0.0%
Nash	0.7%	0.0%	0.7%	0.0%
Orange	0.7%	0.0%	0.7%	0.0%
Sampson	0.3%	0.0%	0.3%	0.0%
Chatham	0.3%	0.0%	0.3%	0.0%
Granville	0.1%	0.0%	0.1%	0.0%
Lee	0.1%	0.0%	0.1%	0.0%
Total	100.0%	100.0%	100.0%	100.0%

In Section III.13, page 61, the applicant states it used the facility’s historical patient origin for inpatient and residential hospice services to project future patient origin. The applicant’s assumptions are reasonable and adequately supported.

Analysis of Need

In Section III.1, pages 24-38 the applicant explains why it believes the population projected to utilize the proposed hospice inpatient services needs the proposed services, including:

- The projected growth and aging of the service area population (p. 24-26).
- The growth in disease incidence rates for categories of patients that use hospice services (p. 27-31).
- The growth in utilization rates for hospice services in North Carolina and Wake County (p. 31-35).
- The growth in hospice inpatient bed utilization at Transitions LifeCare from FY2014 to FY2017 (p. 35-37).

The information provided by the applicant in the pages referenced above is reasonable and adequately supported.

The information provided by the applicant is reasonable and adequately supported for the following reasons:

- There is a need determination in the 2018 SMFP for ten hospice inpatient beds in Wake County.
- The applicant uses clearly cited and reasonable historical and demographic data to make the assumptions with regard to identifying the population to be served, and

- The applicant uses Agency accepted methodologies and reasonable assumptions to demonstrate the need the population projected to be served has for the proposed hospice inpatient services.

Projected Utilization

In Section IV.2, the applicant provides projected utilization for the 30 hospice inpatient beds as summarized in the following table:

Fiscal Year	Licensed Hospice Inpatient Beds	Hospice Inpatient Days of Care	Hospice Residential Days of Care	Total Days of Care	Average Occupancy Rate
FY2020 Project Year 1	30	6,504	801	7,305	66.7%
FY2021 Project Year 2	30	7,290	847	8,137	74.3%

Source: Table on page 65 of the application.

In Section III.1, pages 38-50, the applicant provides its methodology and assumptions for projecting utilization of the 30 hospice inpatient beds through the first two years of operation following completion of the project, as summarized below.

Step 1: Review Wake County Hospice Admissions

The applicant calculated average annual growth rates in Wake County hospice admissions of 7.3% from FY2013 to FY2016 and 8.9% from FY2014 to FY2016. See table on page 38 of the application.

Step 2: Determine the Hospice Admission Growth Rate

The applicant calculates the “two-year trailing average growth rate” for Wake County as 8.9% based on data in the 2018 SMFP. See tables on page 39 of the application.

Step 3: Project Wake County Hospice Admissions

The applicant projects Wake County hospice admission by applying “two-thirds of the two-year trailing average growth rate” for Wake County hospice admission growth rate of 8.9% calculated in Step 2. See table on page 40 of the application.

Step 4: Determine Hospice Average Length of Stay

The applicant determined the average length of stay for hospice inpatient services of 75.8 days for Wake County from data in the 2018 SMFP, Table 13C. See table on page 40 of the application.

Step 5: Project Hospice Days of Care

The applicant projects hospice days of care based on the ALOS calculated in Step 4 and projected hospice admissions calculated in Step 3. See table on page 40 of the application.

Step 6: Determine Two-Year Trailing Hospice Inpatient Utilization Rate

The applicant calculates the “*two-year trailing hospice inpatient utilization rate*” for Wake County and North Carolina based on data from the FY2013-FY2016 Hospice License Renewal Data Supplements. See tables on page 42-43 of the application.

Step 7: Project Hospice Inpatient Days of Care

Based on applicant’s projections of the “*two-year trailing hospice inpatient utilization rate*” for Wake County (Step 6) and projected Wake County hospice days of care (Step 5), the applicant project total Wake County hospice inpatient days of care. See table on page 44 of the application.

Step 8: Determine Historical Market Share for Hospice Inpatient Services

The applicant calculated the market share for Transitions LifeCare’s hospice inpatient services for Wake County based on data from the FY2016-FY2018 from the Hospice License Renewal Data Supplements. See table on page 45 of the application.

Step 9: Project Market Share for Hospice Inpatient Services

Based on applicant’s calculations of historical market share, the applicant projects Transitions LifeCare’s market share through the first three project years (FY2020-FY2022). See the table on page 46 of the application.

Step 10: Project Transitions LifeCare’s Hospice Inpatient Days of Care

Based on applicant’s projections of market shares (Step 9) and projected Wake County hospice inpatient days of care (Step 7), the applicant projects total Wake County hospice inpatient days of care at Transitions LifeCare’s facility through the first three operating years (FY2020-FY2022). See table on page 47 of the application. Also, based on the applicant’s historical experience, the applicant projects an additional 5% of patients will originate from outside of Wake County, as summarized in the table below:

Transitions LifeCare (TL) Hospice Inpatient Patient Days of Care					
	Interim		Projected		
	FY2018	FY2019	Year 1 FY2020	Year 2 FY2021	Year 3 FY2022
Wake County Days of Care	4,545	5,493	6,178	6,925	7,336
In-Migration (5%)	239	289	325	364	386
TL Inpatient Days of Care	4,784	5,782	6,504	7,290	7,722
Licensed IP Hospice Beds	24	24	30	30	30
Percent Utilization	54.6%	66.0%	59.4%	66.6%	70.5%

Source: Table on page 48 of the application.

In addition to hospice inpatient services, the applicants propose to provide hospice residential services in the hospice inpatient beds. Based on utilization of its existing facility in FY2017 (see table on page 50 of the application), the applicant projects total residential hospice patient days will grow at the projected Wake County population growth rate for persons 65 years and older (5.6%) through the first three operating years of the project, as summarized in the table below:

	FY2018	FY2019	FY2020	FY2021	FY2022
Residential Days of Care	718	759	801	847	894

Source: Table on page 50 of the application.

On page 50, the applicant states:

“Upon completion of the proposed project, TL’s projected residential days of care will be provided in its licensed hospice inpatient beds. As previously described, residential patients may receive residential care services in hospice inpatient beds. As indicated by TL’s projected hospice inpatient utilization during the initial three project years, there is sufficient capacity to accommodate the projected residential days in TL’s hospice inpatient beds.”

Projected utilization is reasonable and adequately supported for the following reasons:

- The applicant projects utilization of the facility’s hospice inpatient beds based on historical utilization of the existing hospice facility, population growth projections from NCSOMB, historical market share, and ALOS data from the 2018 SMFP.
- Exhibit 12 contains letters from physicians expressing support for the proposed project.

Access

In Section VI.5, page 82, the applicant states Transitions LifeCare will continue provide services to all patients regardless of income, racial/ethnic origin, gender, physical or mental

condition, age, ability to pay, or any other factor that would classify a patient as underserved. In Section VI.4, page 81, the applicant projects the following payor mix during the second full fiscal year of operation following completion of the project, as shown in the following table.

Payment Source	Hospice Inpatient Services	Hospice Residential Services
Self-Pay/Charity Care	3.1%	3.1%
Commercial Insurance	12.7%	12.7%
Medicare	79.9%	79.9%
Medicaid	4.4%	4.4%
Total	100.0%	100.0%

Source: Table on page 81 of the application.

The projected payor mix is reasonable and adequately supported.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion for the following reasons:

- The applicant adequately identifies the population to be served.
- The applicant adequately explains why the population to be served needs the services proposed in this application.
- Projected utilization is reasonable and adequately supported.
- The applicant projects the extent to which all residents, including underserved groups, will have access to the proposed services (payor mix) and adequately supports its assumptions.

(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.

The applicant, Transitions LifeCare (TL), proposes to develop six additional hospice inpatient beds pursuant to the need determination in the 2018 SMFP. Transitions LifeCare operates a hospice facility, the William M. Dunlap Center for Caring, which is currently licensed for 24 hospice inpatient beds and six residential hospice beds. The applicant proposes to convert the six residential hospice beds to six inpatient hospice beds, for a total of 30 hospice inpatient beds upon project completion. Therefore, the applicant will no longer operate any hospice residential beds upon completion of the project. On page 50, the applicant states:

“Upon completion of the proposed project, TL’s projected residential days of care will be provided in its licensed hospice inpatient beds. As previously described, residential patients may receive residential care services in hospice inpatient beds. As indicated by TL’s projected hospice inpatient utilization during the initial three project years, there is sufficient capacity to accommodate the projected residential days in TL’s hospice inpatient beds.”

On page 58, the applicant states:

“No one will be relocated or displaced as a result of the proposed project. Wake County residents will continue to have access to residential services at TL’s Hospice Home upon completion of the proposed project.”

On page 48 of the application, the applicant provides projected utilization of the hospice inpatient beds as summarized in the table below:

Transitions LifeCare (TL) Hospice Inpatient Patient Days of Care					
	Interim		Projected		
	FY2018	FY2019	Year 1 FY2020	Year 2 FY2021	Year 3 FY2022
Wake County Days of Care	4,545	5,493	6,178	6,925	7,336
In-Migration (5%)	239	289	325	364	386
TL Inpatient Days of Care	4,784	5,782	6,504	7,290	7,722
Licensed IP Hospice Beds	24	24	30	30	30
Percent Utilization	54.6%	66.0%	59.4%	66.6%	70.5%

Source: Table on page 48 of the application.

In addition to hospice inpatient services, the applicants propose to provide hospice residential services in the hospice inpatient beds. Based on utilization of its existing facility in FY2017 (see table on page 50 of the application), the applicant projects total residential hospice patient days will grow at the projected Wake County population growth rate for person 65 years and older (5.6%) through the first three operating years of the project, as summarized in the table below:

	FY2018	FY2019	FY2020	FY2021	FY2022
Residential Days of Care	718	759	801	847	894

Source: Table on page 50 of the application.

Projected utilization is reasonable and adequately supported for the following reasons:

- The applicant projects utilization of the facility’s hospice inpatient beds based on historical utilization of the existing hospice facility, population growth projections, historical market share, and ALOS data from the 2018 SMFP.
- Exhibit 12 contains letters from physicians expressing support for the proposed project.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the applicant adequately demonstrates that:

- The needs of the population currently using the services to be reduced, eliminated or relocated will be adequately met following project completion.
- The project will not adversely impact the ability of underserved groups to access these services following project completion.

(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 applicant, Transitions LifeCare (TL), proposes to develop six additional hospice inpatient beds pursuant to the need determination in the 2018 SMFP. The applicant proposes to convert the six residential hospice beds to six inpatient hospice beds, for a total of 30 hospice inpatient beds upon project completion.

In Section III.14, pages 62-63, the applicant describes the alternatives it considered and explains why each alternative is either more costly or less effective than the alternative proposed in this application to meet the need. The alternatives considered were:

- Maintain the status quo – The applicant states this was not an effective alternative due to the fact that it would not meet the need for additional hospice inpatient beds in Wake County.

- Pursue a joint venture – The applicant considered pursuing a joint venture to develop the beds, but determined that the alternative was infeasible when TL is converting residential beds to inpatient beds.
- Develop the beds in another location – The applicant states this was not an effective alternative due to the fact that it would be cost-prohibitive and inefficient to operate a separate hospice facility.
- Develop a different complement of beds – The applicant states this was not an effective alternative due to the fact recent historical utilization trends for hospice inpatient beds does not support more than six additional beds for Wake County.

On page 63, the applicant states that its proposal is the most effective alternative because it acknowledges *“both the growing demand for hospice services in Wake County and the recent expansion of the TL’s hospice inpatient facility.”*

The applicant adequately demonstrates that the alternative proposed in this application is the most effective alternative to meet the need for the following reasons:

- The alternative will meet the need for additional hospice inpatient beds in Wake County.
- The alternative requires no capital cost and will be administratively and operationally efficient.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Information which was publicly available during the review and used by the Agency.

Based on that review, the Agency concludes that the application is conforming to this criterion for the reasons stated above. Therefore, the application is approved subject to the following conditions:

- 1. Hospice of Wake County, Inc. d/b/a Transitions LifeCare shall materially comply with all representations made in the certificate of need application.**
- 2. Hospice of Wake County, Inc. d/b/a Transitions LifeCare shall develop six additional hospice inpatient beds pursuant to the need determination in the 2018 State Medical Facilities Plan.**
- 3. Upon completion of the project, Hospice of Wake County, Inc. d/b/a Transitions LifeCare shall be licensed for no more than 30 hospice inpatient beds and no hospice residential beds.**

4. No later than three months after the last day of each of the first three full years of operation following initiation of the services authorized by this certificate of need, Hospice of Wake County, Inc. d/b/a Transitions LifeCare shall submit, on the form provided by the Healthcare Planning and Certificate of Need Section, an annual report containing the:

- a. Payor mix for the services authorized in this certificate of need.**
- b. Utilization of the services authorized in this certificate of need.**
- c. Revenues and operating costs for the services authorized in this certificate of need.**
- d. Average gross revenue per unit of service.**
- e. Average net revenue per unit of service.**
- f. Average operating cost per unit of service.**

5. Hospice of Wake County, Inc. d/b/a Transitions LifeCare 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 applicant, Transitions LifeCare, proposes to develop six additional hospice inpatient beds pursuant to the need determination in the 2018 SMFP. Transitions LifeCare operates a hospice facility, the William M. Dunlap Center for Caring, which is currently licensed for 24 hospice inpatient beds and six residential hospice beds. The applicant proposes to convert the six residential hospice beds to six inpatient hospice beds, for a total of 30 hospice inpatient beds upon project completion.

Capital and Working Capital Costs

In Section VIII.1, page 98, the applicant projects the total capital cost of \$50,000 for consulting services. In Sections IX.1 and IX.2, page 103, the applicant projects that there will be no start-up costs or initial operating expenses because the hospice facility is operational.

Availability of Funds

In Section VIII.5, page 100, the applicant states the capital cost will be funded with the accumulated reserves of Transitions LifeCare. Exhibit 10 contains a letter dated April 11, 2018 from the Chief Executive Officer of Transitions LifeCare documenting its intention to provide \$50,000 in accumulated reserves for the proposed project. Exhibit 10 also contains the audited financial statements of Transitions LifeCare which show that as of December 31, 2016,

Transitions LifeCare had \$25 million in total assets, and \$22.7 million in net assets (total assets less total liabilities).

Financial Feasibility

The applicant provided pro forma financial statements for the first three full fiscal years of operation following completion of the project. In Form B, the applicant projects that revenues will exceed operating expenses in the first three operating years of the project, as shown in the table below.

	YEAR 1 FY2020	YEAR 2 FY2021	YEAR 3 FY2022
Total Days of Care	7,305	8,136	8,616
Total Revenue	\$4,578,714	\$5,101,648	\$5,396,837
Average Revenue per Day of Care	\$626.79	\$627.05	\$626.37
Total Operating Expenses (Costs)	\$4,172,222	\$4,546,149	\$4,715,425
Average Operating Expense per Day of Care	\$571.15	\$558.77	\$547.29
Net Income	\$406,492	\$555,499	\$681,411

The assumptions used by the applicant in preparation of the pro forma financial statements are reasonable, including projected utilization, costs and charges. See Section 13 of the application for the assumptions used regarding costs and charges. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion for the following reasons:

- The applicant adequately demonstrates that the capital costs are based on reasonable and adequately supported assumptions.
- The applicant adequately demonstrates availability of sufficient funds for the capital needs of the proposal.
- The applicant adequately demonstrates sufficient funds for the operating needs of the proposal and that the financial feasibility of the proposal is based upon reasonable projections of costs and charges.

- (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, Transitions LifeCare, proposes to develop six additional hospice inpatient beds pursuant to the need determination in the 2018 SMFP. Transitions LifeCare operates a hospice facility, the William M. Dunlap Center for Caring, which is currently licensed for 24 hospice inpatient beds and six residential hospice beds. The applicant proposes to convert the six residential hospice beds to six inpatient hospice beds, for a total of 30 hospice inpatient beds upon project completion.

On page 320, the 2018 SMFP defines the service area for hospice inpatient services as the planning area in which the bed is located. Each of the 100 counties in the state is a separate hospice inpatient facility bed planning area. Thus, the service area is Wake County. Facilities may serve residents of counties not included in their service area.

The 2018 SMFP identifies a need determination for ten additional hospice inpatient beds in the Wake County service area. Transitions LifeCare is the only provider of hospice inpatient services located in Wake County. Transitions LifeCare proposes to add six hospice inpatient beds for a total of 30 hospice inpatient beds upon project completion. The applicant does not propose to develop more hospice inpatient beds than are determined to be needed in the service area.

The applicant adequately demonstrates that the proposal would not result in an unnecessary duplication of existing or approved services in the service area for the following reasons:

- There is a need determination in the 2018 SMFP for the proposed hospice inpatient beds.
- The applicant adequately demonstrates that the proposed hospice inpatient beds are needed in addition to the existing or approved hospice inpatient beds.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Information which was publicly available during the review and used by the Agency.

Based on that review, the Agency concludes that the application is conforming to this criterion for the reasons stated above.

- (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, page 91, the applicant states it does not anticipate any changes to its staffing as a result of the proposed project because it does not change the number of beds to be operated by the facility. The assumptions and methodology used to project staffing are provided in Section VII. Adequate costs for the health manpower and management positions proposed by the applicant are budgeted in Form B, which is found in Section 13. In Section VII.9, page 96, the applicant describes the methods used to recruit or fill new positions and its existing training and continuing education programs. In Section V.3, page 74, the applicant identifies the current medical director. In Exhibit 2, the applicant provides a letter from the medical director indicating an interest in continuing to serve as medical director for the proposed services. In Exhibit 7, the applicant provides supporting documentation.

The applicant adequately demonstrates the availability of sufficient health manpower and management personnel to provide the proposed services.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Information which was publicly available during the review and used by the Agency.

Based on that review, the Agency concludes that the application is conforming to this criterion for the reasons stated above.

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

C

In Section II.3, page 22, the applicant states Transitions LifeCare is an existing hospice facility and already provides the ancillary and support services are necessary for the proposed services.

On page 22, the applicant adequately explains how each ancillary and support service is or will be made available.

In Section V., pages 74-76, the applicant describes its existing and proposed relationships with other local health care and social service providers and provides supporting documentation in Exhibit 12.

The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Information which was publicly available during the review and used by the Agency.

Based on that review, the Agency concludes that 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

The applicant does not project to provide the proposed services to a substantial number of persons residing in Health Service Areas (HSAs) that are not adjacent to the HSA in which the services will be offered. Furthermore, the applicant does not project to provide the proposed services to a substantial number of persons residing in other states that are not adjacent to the North Carolina county in which the services will be offered. Therefore, Criterion (9) is not applicable to this review.

- (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

The applicant is not an HMO. Therefore, Criterion (10) is not applicable to this review.

- (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

The applicant does not propose to construct any new space or renovate any existing space. Therefore, Criterion (12) is not applicable to this review.

- (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.3, page 80, the applicant provides the payor mix for the existing hospice beds at Transitions LifeCare for FY2017, as shown in the following table.

Payment Source	Hospice Inpatient Services	Hospice Residential Services
Self-Pay/Charity Care	3.1%	3.1%
Commercial Insurance	12.7%	12.7%
Medicare	79.9%	79.9%
Medicaid	4.4%	4.4%
Total	100.0%	100.0%

Source: Table on page 80 of the application.

The Agency reviewed the:

- Application
- Exhibits to the application
- Information which was publicly available during the review and used by the Agency.

Based on that review, the Agency concludes that 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

Regarding any obligation to provide uncompensated care, community service or access by minorities and persons with disabilities, in Section VI.5, page 82, the applicant states Transitions LifeCare will continue provide services to all patients regardless of income, racial/ethnic origin, gender, physical or mental condition, age, ability to pay, or any other factor that would classify a patient as underserved.

In Section VI.10, page 88, the applicant states that during the last five years no patient civil rights access complaints have been filed against the facility owned by the applicant or a related entity and located in North Carolina.

The Agency reviewed the:

- Application
- Exhibits to the application
- Information which was publicly available during the review and used by the Agency.

Based on that review, the Agency concludes that 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.4, page 81, the applicant projects the following payor mix during the second full fiscal year of operation following completion of the project, as shown in the following table.

Payment Source	Hospice Inpatient Services	Hospice Residential Services
Self-Pay/Charity Care	3.1%	3.1%
Commercial Insurance	12.7%	12.7%
Medicare	79.9%	79.9%
Medicaid	4.4%	4.4%
Total	100.0%	100.0%

Source: Table on page 81 of the application.

As shown in the table above, during the second full fiscal year of operation, the applicant projects that 3.1% of total services will be provided to self-pay/charity care patients, 79.9% to Medicare patients and 4.4% to Medicaid patients.

On page 81, the applicant provides the assumptions and methodology used to project payor mix during the second full fiscal year of operation following completion of the project. The projected payor mix is reasonable and adequately supported for the following reasons:

- The projected payor mix is based on the historical payor mix of patients at the existing facility, and
- The applicant adequately demonstrates that medically underserved populations will have access to the proposed services.

The Agency reviewed the:

- Application
- Exhibits to the application
- Information which was publicly available during the review and used by the Agency.

Based on that review, the Agency concludes that 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.9, page 84, the applicant adequately describes the range of means by which patients will have access to the proposed services.

The Agency reviewed the:

- Application
- Exhibits to the application
- Information which was publicly available during the review and used by the Agency.

Based on that review, the Agency concludes that 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, pages 73-74, the applicant describes the extent to which health professional training programs in the area have access to the facility for training purposes and provides supporting documentation in Exhibit 6.

The Agency reviewed the:

- Application
- Exhibits to the application
- Information which was publicly available during the review and used by the Agency.

Based on that review, the Agency concludes that the applicant adequately demonstrates that the proposed services will accommodate the clinical needs of area health professional training programs, and 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

Transitions LifeCare proposes to develop six additional hospice inpatient beds pursuant to the need determination in the 2018 SMFP. Transitions LifeCare operates a hospice facility, the

William M. Dunlap Center for Caring, which is currently licensed for 24 hospice inpatient beds and six residential hospice beds. The applicant proposes to convert the six residential hospice beds to six inpatient hospice beds, for a total of 30 hospice inpatient beds upon project completion.

On page 320, the 2018 SMFP defines the service area for hospice inpatient services as the planning area in which the bed is located. Each of the 100 counties in the state is a separate hospice inpatient facility bed planning area. Thus, the service area is Wake County. Facilities may serve residents of counties not included in their service area.

The 2018 SMFP identifies a need determination for ten additional hospice inpatient beds in the Wake County service area. Transitions LifeCare is the only provider of hospice inpatient services located in Wake County. Transitions LifeCare proposes to add six hospice inpatient beds for a total of 30 hospice inpatient beds upon project completion. The applicant does not propose to develop more hospice inpatient beds than are determined to be needed in the service area.

In Section V.7, pages 76-78, the applicant describes the expected effects of the proposed services on competition in the service area and discusses how any enhanced competition in the service area will promote the cost-effectiveness, quality and access to the proposed services.

The applicant adequately describes the expected effects of the proposed services on competition in the service area and adequately demonstrates:

- The cost-effectiveness of the proposal (see Sections VIII and 13 of the application and any exhibits)
- Quality services will be provided (see Section II.4 of the application and any exhibits)
- Access will be provided to underserved groups (see Section VI of the application and any exhibits)

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Remarks made at the public hearing
- Information which was publicly available during the review and used by the Agency.

Based on that review, the Agency concludes that the application is conforming to this criterion for the reasons stated above.

(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 state the William M. Dunlap Center for Caring is the only hospice facility owned and operated by Transitions LifeCare or a related entity located in North Carolina.

In Section II.5, page 23, the applicant states that the facility has never had its license revoked, Medicare/Medicaid provider agreement terminated, or operated out of compliance with the Medicare conditions of participation. According to the files in the Acute and Home Care Licensure and Certification Section, DHSR, during the 18 months immediately preceding submission of the application through the date of this decision, no incidents related to quality of care occurred in the Transitions LifeCare facility. After reviewing and considering information provided by the applicant and by the Acute and Home Care Licensure and Certification Section and considering the quality of care provided at all its facility, 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.

C

The application submitted by Transitions LifeCare is conforming to all applicable Criteria and Standards for Hospice Inpatient Facilities and Hospice Residential Care Facilities as promulgated in 10A NCAC 14C .4000. The specific criteria are discussed below.

SECTION .4000 - CRITERIA AND STANDARDS FOR HOSPICE INPATIENT FACILITIES AND HOSPICE RESIDENTIAL CARE FACILITIES

10A NCAC 14C .4003 PERFORMANCE STANDARDS

(a) An applicant proposing to develop hospice inpatient facility beds or hospice residential care facility beds shall demonstrate that:

(1) the average occupancy rate of the licensed hospice beds, for each level of care, in the facility is projected to be at least 50 percent for the last six months of the first operating year following completion of the project;

-C- In Section IV.2, page 65, the applicant projects that the utilization rate for licensed hospice beds will exceed 50 percent in the first operating year (FY2020) following completion of the proposed project.

(2) the average occupancy rate for the licensed hospice beds, for each level of care, in the facility is projected to be at least 65 percent for the second operating year following completion of the project; and

-C- In Section IV.2, page 65, the applicant projects that the utilization rate for licensed hospice beds will exceed 65 percent in the second operating year (FY2021) following completion of the proposed project.

(3) if the application is submitted to address the need for hospice residential care beds, each existing hospice residential care facility which is located in the hospice service area operated at an occupancy rate of at least 65 percent for the 12 month period reported on that facility's most recent Licensure Renewal Application Form.

-NA- The application was not submitted to address the need for hospice residential beds.

(b) An applicant proposing to add hospice inpatient facility beds to an existing hospice inpatient facility shall document that the average occupancy of the licensed hospice inpatient facility beds in its existing facility was at least 65 percent for the nine months immediately preceding the submittal of the proposal.

-C- In Section IV.1, page 64, the applicant reports that the utilization rate for the existing licensed hospice inpatient beds exceeded 65 percent in the nine months immediately preceding the submittal the proposal.

(c) An applicant proposing to add residential care beds to an existing hospice residential care facility shall document that the average occupancy of the licensed hospice residential care beds in its existing facility was at least 65 percent for the nine months immediately preceding the submittal of the proposal.

-NA- The application is not proposing to add hospice residential beds.