

## ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: December 2, 2020

Findings Date: December 2, 2020

Project Analyst: Misty L. Piekaar-McWilliams

Team Leader: Fatimah Wilson

Project ID #: P-11958-20

Facility: The Embassy at Morehead City

FID #: 200738

County: Carteret

Applicants: Embassy Snug Harbor, LLC  
HPG NC Morehead City, LLC

Project: Develop a 92-bed replacement nursing facility by relocating 42 NF beds and 50 ACH beds from Snug Harbor on Nelson Bay. The 50 ACH beds will include a 24-bed SCU.

### REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

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

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

C

The applicants, Embassy Snug Harbor, LLC and HPG NC Morehead City, LLC, collectively referred to as “the applicant”, proposes to develop a 92-bed replacement nursing facility by relocating 42 NF beds and 50 ACH beds from Snug Harbor on Nelson Bay in Carteret County. The 50 ACH beds will include a 24-bed special care unit (SCU).

#### **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 2020 State Medical Facilities Plan (SMFP). Therefore, no need determinations are applicable to this review.

## **Policies**

There are three policies applicable to this review: **Policy NH-6 Relocation of Nursing Facility Beds, Policy NH-8: Innovations in Nursing Facility Design** and **Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities.**

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

Policy NH-6, on page 22 of the 2020 SMFP, states:

*“Relocations of existing licensed nursing facility beds are allowed. Certificate of need applicants proposing to relocate licensed nursing facility beds shall:*

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

Both the existing licensed location (Snug Harbor on Nelson Bay) and the proposed replacement facility location (The Embassy at Morehead City) are both located in Carteret County. According to the 2020 SMFP, Carteret County has a surplus of 162 NF beds. The proposed relocation of the beds within Carteret County from Snug Harbor on Nelson Bay to The Embassy at Morehead City does not change the NF bed inventory in Carteret County. Therefore, the application is consistent with Policy NH-6.

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

Policy NH-8, on page 22 of the 2020 SMFP, states:

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

In Section B, pages 17-19, the applicant explains why they believe their application is consistent with Policy NH-8. The applicant states they are exceeding minimum code requirements for square footage, providing multiple family gathering spaces inside and outside of the facility, developing a physical therapy garden, creating neighborhoods (as opposed to medical units/halls) in order to facilitate smaller communities within the facility, and adding

other features which will create a calmer and more home-like atmosphere while maximizing residents' quality of life and autonomy.

The application is consistent with Policy NH-8.

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

Policy GEN-4, on page 31 of 2020 SMFP, states:

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

*In 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 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.”*

In Section B, pages 23-25, the applicants explain why they believe their application is consistent with Policy GEN-4. The applicants provide a written statement of the minimum energy conservation features they will utilize. The applicants plan to implement several techniques to provide energy efficiency and sustainability including open floor plan design with reflective light-colored ceilings and walls to maximize natural daylighting, all exterior and interior lighting will have energy efficient LED fixtures, and automatic lighting controls. Additionally, the applicants provide letters from the architect in Exhibit F.1, stating he will assist in developing plans for water and energy conservation that meet all applicable laws, regulations, and codes.

The application is consistent with Policy GEN-4.

**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 applicants adequately demonstrate that the proposal is consistent with Policy NH-6 because the existing and the proposed facility locations are both in Carteret County and there will be no change in the inventory of NF beds in the county upon project completion.
  - The applicants adequately demonstrate that the proposal is consistent with Policy NH-8 because they adequately document the list of innovative approaches in environmental design which will address quality of care and quality of life needs of the residents.
  - The applicants adequately demonstrate that the proposal is consistent with Policy GEN-4 because the application contains a written statement describing the project's plan to assure improved energy efficiency and water conservation.
- (2) Repealed effective July 1, 1987.
- (3) The applicant shall identify the population to be served by the proposed project, and shall demonstrate the need that this population has for the services proposed, and the extent to which all residents of the area, and, in particular, low income persons, racial and ethnic minorities, women, handicapped persons, the elderly, and other underserved groups are likely to have access to the services proposed.

## C

The applicant proposes to develop a 92-bed replacement nursing facility by relocating 42 NF beds and 50 ACH beds from Snug Harbor on Nelson Bay in Carteret County. The 50 ACH beds will include a 24-bed special care unit (SCU).

### **Patient Origin**

On page 175, the 2020 SMFP defines the service area for nursing facility beds as "... *the county in which the bed is located. Each of the 100 counties in the state is a separate service area.*" The proposed new facility, The Embassy at Morehead City, will be located in Carteret County. Thus, the service area for this facility is Carteret County. Facilities may also serve residents of counties not included in their service area.

In Section C, page 34, the applicant provides projected patient origin, as shown in the table below. The applicant did not provide historical patient origin for NH services due to Snug Harbor on Nelson Bay closing permanently in 2019.

<b>Projected Patient Origin (Third FFY)</b>				
	<b>General NF Beds</b>		<b>SCU NF Beds</b>	
	<b># Patients</b>	<b>% of Total</b>	<b># Patients</b>	<b>% of Total</b>
Carteret	36	90.0%	Not Applicable (NA)	NA
Onslow	3	6.0%	NA	NA
Craven	1	3.0%	NA	NA
Other NC counties*	1	1.0%	NA	NA
<b>Total</b>	<b>41</b>	<b>100.0%</b>	<b>NA</b>	<b>NA</b>

**Note:** Totals may not foot due to rounding

**Note:** Includes Jones and Pamlico counties, each which represent less than 1% of total patient origin.

On page 205, the 2020 SMFP defines the service area for adult care home beds as “... *the county in which the adult care home bed is located. Each of the 100 counties in the state is a separate service area.*” The proposed new facility, The Embassy at Morehead City, will be located in Carteret County. Thus, the service area for this facility is Carteret County. Facilities may also serve residents of counties not included in their service area.

In Section C, page 34, the applicant provides projected patient origin, as shown in the table below. The applicant did not provide historical patient origin for ACH services due to Snug Harbor on Nelson Bay closing permanently in 2019.

<b>Projected Patient Origin (Third FFY)</b>				
	<b>General ACH Beds</b>		<b>SCU ACH Beds</b>	
	<b># Patients</b>	<b>% of Total</b>	<b># Patients</b>	<b>% of Total</b>
Carteret	19	85.0%	19	85.0%
Onslow	1	4.0%	1	4.0%
Craven	1	3.0%	1	3.0%
Other NC counties*	2	8.0%	2	8.0%
<b>Total</b>	<b>23</b>	<b>100.0%</b>	<b>23</b>	<b>100.0%</b>

**Note:** Totals may not foot due to rounding

**Note:** Includes Jones, Pamlico, Pender, Duplin, Lenoir, Beaufort, New Hanover, Hyde and Brunswick counties, each which represent less than 1% of total patient origin.

In Section C.3, page 35, the applicant provides the assumptions and methodology used to project patient origin. The applicant’s assumptions are reasonable and adequately supported.

**Analysis of Need**

In Section C, pages 35-50, the applicant explains why the population projected to utilize the proposed services needs the proposed services:

- Snug Harbor on Nelson Bay Permanently Closed
  - Snug Harbor on Nelson Bay’s 42 NH beds and 50 ACH beds are licensed but not in current use. The facility permanently closed due to excessive flooding.

- Three Facilities Permanently Closed
  - Snug Harbor on Nelson Bay, PruittHealth-Sea Level and Harborview, all facilities serving Carteret County residents, have recently closed.
- Aging Population of Carteret County
  - The North Carolina Office of State Budget Management (NC OSBM) projects Carteret County's 65+ population to grow at a rate of 2.44% annually, or 2,359 additional residents aged 65+ from 2020 to 2025.
  - Carteret County residents aged 75-84 are expected to increase by an average annual rate of 4.8% per NC OSBM.
- Historical Utilization of Snug Harbor on Nelson Bay
  - Despite Snug Harbor on Nelson Bay being located away from most of the county's population, per their 2018-2020 licensed renewal applications, Snug Harbor on Nelson Bay's NF days of care increased by a compound average growth rate (CAGR) of 2.66% and ACH days of care increased by a 6.54% CAGR.
- Location
  - The proposed location for the new facility would be located within the same township (Morehead) as 39.4% of the county population.
  - The proposed location would not be located on a barrier island portion of Morehead township.
  - The proposed location would be located 1.4 miles from Carteret County's only general acute care hospital and within a short distance of a majority of Carteret County's healthcare infrastructure.
- Special Care Unit (SCU)
  - The applicants state that the proposed replacement facility will include a SCU to replace SCU beds which were once open at Snug Harbor on Nelson Bay prior to its permanent closure in 2019.
  - The applicants state the healthcare industry estimates that 35% to 50% of adult care home residents are afflicted by some type of dementia and the Center for Disease Control's (CDC) National Center for Health Statistics estimates the figure to be 41.6% in a report published in 2016. The applicant provides supporting documentation in Exhibit C.4 to support these claims.

- On page 49, the applicants state that Alzheimer's Disease is the sixth leading cause of death in the U.S. and in North Carolina specifically, it is the fourth leading cause of death among people 65 and over. According to the Alzheimer's Association, in 2019, North Carolina had 170,000 adults age 65 and over with Alzheimer's Disease and that number is projected to rise to 210,000 by 2025, an increase of 24%.
- According to Snug Harbor on Nelson Bay's 2020 licensed renewal agreement (the closed facility), there were 20 ACH patients who were diagnosed with Alzheimer's/Related Dementias showing the population to be served will benefit from SCU beds. The applicants provide supporting documentation in exhibit C.2.
- On page 36 of the application, the applicants state NCOSBM projects Carteret County's population will grow at an average rate of 0.67 percent, but those aged 65+ will grow at an average rate of 2.44 percent annually, meaning 2,359 Carteret County residents aged 65+ will be added to the county's population by 2025. With an increase in residents aged 65+ in Carteret County, the applicants demonstrate the need for the ACH beds, specifically the SCU beds, as individuals 65+ are most likely to use these services as they age.
- On page 49, the applicant also states that of the three ACH facilities in Carteret County, one (Brookdale Morehead City) does not take Medicaid patients and another (Carteret Landing) is mostly private pay with only a small percentage of Medicaid/Special Assistance, thus Carteret County will benefit from the proposed facility as it will accept residents of all payors.

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

- The applicant provides adequate reasons to support the need the population proposed to be served has for the proposed services as stated above.
- The applicant provides reasonable documentation to support the need to build a replacement facility due to excessive flooding.

*Projected Utilization*

In Section Q, the applicants provide projected utilization, as illustrated in the following table.

<b>The Embassy at Morehead City – Projected Utilization – FFY 2022 - 2025</b>			
	<b>FFY 2022-2023</b>	<b>FFY 2023-2024</b>	<b>FFY 2024-2025</b>
<b>NF Beds</b>			
# General NF Beds	42	42	42
Days of Care	9,009	14,543	14,898
Occupancy Rate	58.8%	94.9%	97.2%
# SCU NF Beds	0	0	0
Days of Care	0	0	0
Occupancy Rate	0.0%	0.0%	0.0%
# of Total NF Beds	42	42	42
Days of Care	9,009	14,543	14,898
Occupancy Rate	58.8%	94.9%	97.2%
<b>ACH Beds</b>			
# General ACH Beds	26	26	26
Days of Care	6,391	8,204	8,404
Occupancy Rate	67.3%	86.4%	88.6%
# SCU ACH Beds	24	24	24
Days of Care	6,601	8,577	8,577
Occupancy Rate	75.4%	97.9%	97.9%
# of Total ACH Beds	50	50	50
Days of Care	12,992	16,780	16,981
Occupancy Rate	71.2%	91.9%	93.0%

In Section Q, the applicants provide the assumptions and methodology used to project utilization, which are summarized below.

- In Section C, page 35, the applicant states they reviewed 2020 license renewal applications for Carteret County.
- The applicant states they rely on their historical experience with operating 28 facilities throughout the United States:
  - In Section Q, Form C, the applicant states that they project one nursing facility bed admission per week for the initial 39 weeks based on their operating experience. For the second and third year of the project, the applicant projects NF bed census will increase 2.44% annually which is the projected growth rate for persons 65+ in Carteret County per NC OSBM.
  - In Section Q, Form C, the applicant states that they project one general adult care home bed admission per week for the initial 22 weeks based on their operating experience. For the second and third year of the project, the applicant projects the general ACH bed census will increase 2.44% annually which is the projected growth rate for persons 65+ in Carteret County per NC OSBM.
  - In Section Q, Form C, the applicant states that they project one SCU adult care home bed admission per week for the initial 23 weeks based on their operating experience. For the second and third year of the project, the applicant projects the SCU ACH bed

census will increase 2.44% annually which is the projected growth rate for persons 65+ in Carteret County per NC OSBM.

- In Section Q, the applicant states:

*“These projections are reasonable and realistic. As a comparison, Crystal Bluff Rehabilitation and Health Care Center is the most recent construction facility (built in 2008) in the Carteret County market, and reported an FY2019 occupancy rate of 94.7% on its 2020 license renewal application, and according to facility staff reached by telephone, currently all beds are occupied. Also, Carteret House completed renovations on its assisted living facility in 2019, and according to staff who answered the phone is quickly filling up, at a much higher occupancy rate than its most recently reported [licensed renewal application].”*

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

- The applicant uses the current Carteret County market including recent license renewal applications for the county to determine projected utilization.
- The applicant relies on their historical experience in constructing nursing facilities and adult care homes (combination facilities) to determine how quickly the beds are occupied.
- The applicant uses the projected population growth rate for those individuals 65+ who reside in Carteret County to justify growth in projected utilization.

### Access

In Section C, pages 53-54, the applicants state:

*“The Embassy at Morehead City will offer equal treatment and access to the nursing bed and assisted living bed services for all residents, without discrimination due to race, color, religion, gender, marital status, national origin, sexual orientation, ancestry, or disability, or any other factor that would classify a resident as underserved. . . All resident rooms and common spaces will meet handicapped accessibility requirements, including turning spaces, clear floor spaces in bedrooms and accessible plumbing fixtures, roll-in showers, grab bars, accessible storage spaces, etc. The facility will have handicap-accessible parking, ramps, and stairways.”*

In a request for clarifying information by the Agency, the applicants state:

*“Sections C.8, L.3, L.4, L.5, and N.2 describe how the facility will provide access to historically underserved groups. Please see the following table for the estimated percentage of total patients for each historically underserved group who will have access to the relocated facility during the third full federal fiscal year of operation following completion of the project.”*

The applicants provide the following table:

<b>Medically Underserved Groups</b>	<b>Percentage of Total NF Patients</b>	<b>Percentage of Total ACH Patients</b>
Low income persons	62.4%	18.1%
Racial and ethnic minorities	13.5%	13.5%
Women	73.7%	67.0%
Handicapped Persons	14.5%	14.5%
The elderly	94.7%	81.8%
Other underserved groups: Medicare beneficiaries	19.0%	0.0%
Other underserved groups: Medicaid/County Assistance recipients	62.4%	18.1%

Source: Section L.3 and Exhibit C.2 of the application and [www.census.gov/quickfacts/carteretcountynorthcarolina](http://www.census.gov/quickfacts/carteretcountynorthcarolina)

### **Conclusion**

The Agency reviewed the:

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

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

- The applicants adequately identify the population to be served.
- The applicants adequately explain why the population to be served needs the services proposed in this application.
- Projected utilization is reasonable and adequately supported.
- The applicants project the extent to which all residents, including underserved groups, will have access to the proposed services (payor mix) and adequately support their 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.

## C

The applicant proposes to develop a 92-bed replacement nursing facility by relocating 42 NF beds and 50 ACH beds from Snug Harbor on Nelson Bay in Carteret County. The 50 ACH beds will include a 24-bed special care unit (SCU).

The applicant does not propose to reduce or eliminate any of the 42 NF or 50 ACH beds but rather, the applicant proposes to build a new replacement facility. The current facility is Snug Harbor on Nelson Bay, located in Sea Level, Carteret County. Snug Harbor on Nelson Bay ceased operations in 2019 due to excessive flooding from multiple hurricanes in 2018 and 2019. The proposed site of the new facility is 3822 Galantis Drive in Morehead City, in Carteret County. Both, the old facility, Snug Harbor on Nelson Bay, and the replacement facility is located in Carteret County and, thus, would serve the same population.

In Section D, page 59, the applicant explains why they believe the needs of the population presently utilizing the services to be relocated will be adequately met following completion of the project. On page 59, the applicant states that the proposed project is to relocate all 42 licensed NF and 50 licensed ACH beds that have already been permanently closed in 2019 at the Snug Harbor on Nelson Bay facility. The Embassy at Morehead City will offer equal treatment and access to the nursing bed and assisted living bed services for all residents, without discrimination due to race, color, religion, gender, marital status, national origin, sexual orientation, ancestry, or disability, income, or any other fact that would classify a resident as underserved.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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 proposes to develop a 92-bed replacement nursing facility by relocating 42 NF beds and 50 ACH beds from Snug Harbor on Nelson Bay in Carteret County. The 50 ACH beds will include a 24-bed special care unit (SCU).

In Section E, pages 61-64, the applicant describes the alternatives they considered and explain why each alternative is either more costly or less effective than the alternative proposed in this application to meet the need for NF and ACH beds. The alternatives considered were:

- Maintain the Status Quo – The applicants state maintaining the status quo would result in the continued non-utilization of licensed NH and ACH beds in Carteret County. Due to Snug Harbor on Nelson Bay and two additional licensed nursing facilities in Carteret County closing, the status quo is not tenable.
- Renovate and Reopen the Current Sea Level Facility – The Snug Harbor on Nelson Bay facility was constructed in 1976 with no significant improvements, thus, outliving its useful life. Additionally, Snug Harbor on Nelson Bay is located on Nelson Bay which is prone to flooding including suffering significant previous damage from Hurricane Florence in 2018 and Hurricane Dorian in 2019.
- Develop a Nursing Facility in another Location within Carteret County – 88% of the Carteret County population lives either in Morehead Township, or another township adjacent to it. Morehead City is the center of Carteret County healthcare infrastructure, including the county’s only acute care hospital.
- Develop a Facility with Fewer Beds, or with only NF or ACH beds– A facility with fewer beds is not cost effective and staff efficient and is why the applicant did not propose to only replace either the 42 NF beds or the 50 ACH beds. A facility with less beds also would not be able to meet the county’s aging population needs.
- Forego Development of a Special Care Unit– Due to 35-50% of facility residents being afflicted by some form of dementia according to healthcare professionals, additional security measures must be put in place. This includes secure units and courtyards and electronic monitoring system.

On page 63, the applicant states that their proposal is the most effective and cost-efficient alternative because the existing building is an outdated facility without many of the features offered in newer buildings and the new facility will result in offering a facility with high standards of care, that keep residents safe and healthy.

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 application is confirming to all statutory and regulatory review criteria.
- The applicant provides credible information to explain why it believes the proposed project is the most effective alternative including stating the existing facility is old and offers outdated features whereas the new proposed facility is necessary to replace the recently permanently closed facility.

## **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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. Embassy Snug Harbor LLC and HPG NC Morehead City LLC (certificate holders) shall materially comply with all representations made in the certificate of need application and any clarifying responses.**
- 2. The certificate holders shall develop a 92-bed replacement nursing facility by relocating 42 NF beds and 50 ACH beds from Snug Harbor on Nelson Bay in Carteret County to a new replacement facility in Carteret County.**
- 3. Upon completion of the project, The Embassy at Morehead City shall be licensed for no more than 42 NF beds and 50 ACH beds. The 50 ACH beds shall include a 24-bed SCU.**
- 4. Upon completion of the project, Snug Harbor on Nelson Bay shall relinquish their certificate of need for Project ID# P-008191-08.**
- 5. For the first two years of operation following completion of the project, the certificate holders shall not increase private pay charges more than five percent of the projected private pay charges provided in Section Q of the application without first obtaining a determination from the Healthcare Planning and Certificate of Need Section that the proposed increase is in material compliance with the representations in the certificate of need application.**
- 6. The certificate holders shall provide care to recipients of State/County Special Assistance with Medicaid, commensurate with representations made in the application.**
- 7. The certificate holders 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.**
- 8. 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, the certificate holders 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.**
9. **The certificate holders 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 proposes to develop a 92-bed replacement nursing facility by relocating 42 NF beds and 50 ACH beds from Snug Harbor on Nelson Bay in Carteret County. The 50 ACH beds will include a 24-bed special care unit (SCU).

**Capital and Working Capital Costs**

In Section Q, Form F.1a, the applicant projects the total capital cost of the project as shown in the table below.

Purchase Price of Land	\$900,000
Closing Costs	\$319,300
Site Preparation	\$1,200,000
Construction/Renovation Contract(s)	\$10,160,000
Landscaping	\$75,000
Architect/Engineering Fees	\$491,400
Medical Equipment	\$75,000
Non Medical Equipment	\$312,000
Furniture	\$532,000
Consultant Fees	\$158,335
Financing Costs	\$58,000
Interest during Construction	\$1,186,019
Other (permits/fees/taxes/insurance)	\$320,000
Other (contingency)	\$350,000
<b>Total</b>	<b>\$16,137,054</b>

In Section Q, the applicant provides the assumptions used to project the capital cost.

In Section F, page 67, the applicant projects start-up costs or initial operating expenses will be \$175,000. On pages 67-68, the applicant provides the assumptions and methodology used to project the working capital needs of the project.

**Availability of Funds**

In Section F, page 66, the applicant states that the capital cost will be funded as shown in the table below.

**Sources of Capital Cost Financing**

Type	Embassy Snug Harbor LLC	HPG NC Morehead City LLC	Total
Loans	\$0	\$0	\$0
Accumulated reserves or OE*	\$0	\$16,137,054	\$16,137,054
Bonds	\$0	\$0	\$0
Other	\$0	\$0	\$0
<b>Total Financing</b>	<b>\$0</b>	<b>\$16,137,054</b>	<b>\$16,137,054</b>

\* OE = Owner's Equity

The applicant provides supporting documentation of the availability of sufficient funds for the capital and working capital needs of the proposal in Exhibit F.2. Exhibit F.2 contains a letter dated September 14, 2020, from the Co-President of Hana 2.0 Property Group, sole member of HPG NC Morehead City, LLC pledging to “transfer \$17,012,054 million to HPG. Hana 2.0 does not expect, and HPG will have no obligation, to return these funds to Hana 2.0” for the project. Exhibit F.2 contains a letter from Weiss & Company LLP, a certified public accountant and advisor company, which reads, “Hana 2.0 has sufficient funds or access to sufficient funds to transfer to HPG to cover the anticipated CON project costs.” In addition, there is a letter dated September 15, 2020, from the President of Embassy Healthcare Holdings, Inc., parent company to applicant Embassy Snug Harbor, LLC, pledging to “provide \$875,000

*in working capital [to] Embassy Snug Harbor, LLC*” for the project. Exhibit F.2 contains a letter dated September 14, 2020, from Fifth Third Bank stating, “As of today (September 14, 2020), there is \$875,000 of availability on the revolving credit line in the name of Embassy Healthcare.” The applicants explain on page 66, “HPG expects to fund the project capital costs with cash, but has conservatively included financial costs and interest during construction in the event that it later determines to fund the project with a commercial loan” such as the one (1) available to them through Fifth Third Bank. The applicant adequately demonstrates that sufficient funds will be available or made available for the capital needs of the proposed project.

**Financial Feasibility**

In Section Q, the applicant provides pro forma financial statements for the first three full fiscal years of operation following completion of the total project (10/1/2022-9/30/2025). The applicant projects that revenues will exceed operating expenses fiscal year 2 and fiscal year 3 following the completion of the project, as shown in the table below, which summarizes the applicant’s pro forma financial statements: Form F.3 Revenues, Form F.4 Operating Costs, and Form F.5 Income Statement.

	<b>10/1/2022-9/30/2023</b>	<b>10/1/2023-9/30/2024</b>	<b>10/1/2024-9/30/2025</b>
<b>NF Beds</b>			
Projected # of Patient Days	9,009	14,543	14,898
Gross Revenue	\$2,861,107	\$4,691,149	\$4,886,145
Deductions from Gross Revenue	\$35,764	\$79,163	\$82,454
Net Patient Revenue	\$2,825,343	\$4,611,986	\$4,803,692
Projected Average Net Revenue Per Patient Day	\$314	\$317	\$322
Total Operating Expenses	\$2,603,133	\$3,557,630	\$3,638,217
Avg Operating Expense / Pt Day	\$289	\$245	\$244
<b>NF Net Income</b>	<b>\$222,210</b>	<b>\$1,054,356</b>	<b>\$1,165,475</b>
<b>Total ACH Beds**</b>			
Projected # of Patient Days	22,001	31,323	31,879
Gross Revenue	\$5,235,992	\$7,842,330	\$8,159,700
Deductions from Gross Revenue	\$65,450	\$132,339	\$137,695
Net Patient Revenue	\$5,170,542	\$7,709,990	\$8,022,055
Projected Average Net Revenue Per Patient Day	\$235	\$246	\$252
Total Operating Expenses	\$5,534,527	\$7,103,715	\$7,235,274
Avg Operating Expense / Pt Day	\$252	\$227	\$227
<b>ACH Net Income</b>	<b>(\$363,985)</b>	<b>\$606,275</b>	<b>\$786,781</b>

\*\* Combines General ACH beds and SCU ACH Beds data.

The assumptions used by the applicant in preparation of the pro forma financial statements are reasonable, including projected utilization, costs, and charges. See Section Q 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 and working capital costs are based on reasonable and adequately supported assumptions.
  - The applicant adequately demonstrates availability of sufficient funds for the capital and working 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 proposes to develop a 92-bed replacement nursing facility by relocating 42 NF beds and 50 ACH beds from Snug Harbor on Nelson Bay in Carteret County. The 50 ACH beds will include a 24-bed special care unit (SCU).

On page 175, the 2020 SMFP defines the service area for nursing facility beds as “... *the county in which the bed is located. Each of the 100 counties in the state is a separate service area.*” The proposed new facility, The Embassy at Morehead City, will be located in Carteret County. Thus, the service area for this facility is Carteret County. Facilities may also serve residents of counties not included in their service area.

*Table 10A: Inventory of Nursing Home and Hospital Nursing Care Beds* in the 2020 SMFP, page 180, lists six existing nursing facilities in Carteret County, with a combined total of 424 nursing facility beds, as shown below in the table.

<b>Carteret County Nursing Facility Beds – 2020 SMFP Inventory</b>		
<b>Facility</b>	<b>Location</b>	<b># of Beds</b>
Croatan Ridge Nursing & Rehabilitation Center	Newport	64
Crystal Bluffs Rehabilitation & Health Care Center	Morehead City	92
Harborview Health Care Center	Morehead City	122
PruittHealth-Sea Level (Replacement facility)	Sea Level	0
PruittHealth-Sea Level (Former facility)	Sea Level	104
Snug Harbor on Nelson Bay*	Sea Level	42
<b>Total Beds</b>		<b>424</b>

**Note:** Snug Harbor on Nelson Bay closed permanently in 2019. The proposed new facility would replace the closed Snug Harbor on Nelson Bay NF beds.

**Note:** Harborview Health Care Center is currently closed.

On page 205, the 2020 SMFP defines the service area for adult care home beds as “... *the county in which the adult care home bed is located. Each of the 100 counties is a separate service area.*” The proposed new facility, The Embassy at Morehead City, will be located in Carteret County. Thus, the service area for this facility is Carteret County. Facilities may also serve residents of counties not included in their service area.

*Table 11A: Inventory of Adult Care Homes (Assisted Living) Beds* in the 2020 SMFP, page 211, lists four existing adult care home facilities in Carteret County, with a combined total of 296 adult care home beds, as shown below in the table.

<b>Carteret County Adult Care Home Beds – 2020 SMFP Inventory</b>		
<b>Facility</b>	<b>Location</b>	<b># of Beds</b>
Brookdale Morehead City	Morehead City	72
Carteret House	Newport	64
Carteret Landing	Morehead City	110
Snug Harbor on Nelson Bay*	Sea Level	50
<b>Total Beds</b>		<b>296</b>

**Note:** Snug Harbor on Nelson Bay closed permanently in 2019. The proposed new facility would replace the closed Snug Harbor on Nelson Bay ACH beds.

In Section G, pages 73-74, the applicant explains why they believe their proposal will not result in the unnecessary duplication of existing or approved nursing facility and adult care home services in Carteret County. The applicants state they are not proposing to add any new services; rather, they want to replace existing unused licensed NF and ACH beds within Carteret County. Additionally, the applicants state Harborview Health Care Center closed in 2018 due to hurricane damage, and, although PruittHealth obtained 2018 CON approval to relocate its existing Seal Level nursing home, the facility is not yet built.

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:

- The proposal will not result in an increase in the number of existing or approved NF or ACH beds in Carteret County.

- The applicant adequately demonstrates the need for the proposed project in addition to the existing and approved NF and ACH beds in Carteret County.

**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 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 Q, Form H, the applicant provides projected staffing for the proposed services as illustrated in the following table.

Position	Projected		
	1 <sup>st</sup> FFY	2 <sup>nd</sup> FFY	3 <sup>rd</sup> FFY
Registered Nurses	5.60	8.40	8.40
Licensed Practical Nurses	1.40	1.40	1.40
NF Aides	7.70	10.00	10.00
ACH Aides	3.50	5.60	5.60
SCU Aides	3.50	7.00	7.00
Director of Nursing	1.00	1.00	1.00
Assistant Director of Nursing	0.00	1.00	1.00
MDS Nurse	1.00	1.00	1.00
Clerical	0.00	0.00	0.00
Medical Records	0.50	1.00	1.00
Physical Therapy	2.00	3.00	3.00
Speech Therapy	0.50	0.75	0.75
Occupational Therapy	1.75	2.50	2.50
Other Ancillary Services	0.00	0.00	0.00
Dietary	8.00	10.00	11.00
Social Services	1.00	1.00	1.00
Activities	1.50	1.75	2.00
Laundry & Linen	1.40	2.10	2.10
Housekeeping	2.10	2.80	2.80
Plant Operation & Maintenance	1.00	1.00	1.00
Administration	1.00	1.00	1.00
Other: Medical Director	1.00	1.00	1.00
Other: Clerical/Reception	1.00	1.00	1.00
Other: Bus Office/Payroll	1.00	1.00	1.00

Other: Marketing/Res. Relations Dir.	1.00	1.00	1.00
<b>TOTAL*</b>	<b>48.45</b>	<b>66.30</b>	<b>67.55</b>

Source: Form H in Section Q of the application

The assumptions and methodology used to project staffing are provided in Section Q. Adequate costs for the health manpower and management positions proposed by the applicants are budgeted in Form F.4, which is found in Section Q. In Section H, pages 75-77, the applicants describe the methods to be used to recruit or fill new positions and their existing training and continuing education programs. In Section H, page 78, the applicants identify the current medical director. In Exhibit H.4, the applicants provide a letter from the medical director expressing his support for the proposed project and his willingness to continue to serve as medical director.

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

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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 I, page 80, the applicant provides a chart showing the ancillary and support services available at The Embassy at Morehead City and how the services are offered, including the following:

- Administration/HR
- Facility Maintenance
- Dentistry
- X-ray/Radiology
- Pharmacy
- Oxygen
- PT/OT/ST
- Rehab Nursing
- Medical Records
- Medical Director
- Optometry
- Podiatry
- Laboratory
- Dietary Services
- Respiratory Therapy
- Hospice/Respite

- Social Services
- Beauty/Barber
- Housekeeping/Laundry
- Van Driver
- Pastoral/Chaplain
- Volunteer
- Personal Laundry

On page 81, the applicant adequately explains how each ancillary and support service will be made available and provide supporting documentation in Exhibit I.1.

In Section I, page 83, the applicant describes their existing and proposed relationships with other local health care and social service providers and provide supporting documentation in Exhibit I.2.

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

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 applicants do 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 HMOs. 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.

C

In Section K, page 85, the applicant states that the project involves constructing approximately 63,500 square feet of new space. Line drawings are provided in Exhibit K.1.

On page 85, the applicant adequately explains how the cost, design, and means of construction represent the most reasonable alternative for the proposal and provide supporting documentation in Exhibit F.1, the architect's cost estimate letter, which describes how the cost, design and means of construction represent the most reasonable alternative for the proposal.

On page 86, the applicant adequately explains why the proposal will not unduly increase the costs to the applicant of providing the proposed services or the costs and charges to the public for the proposed services.

On pages 86-87, the applicant identifies any applicable energy saving features that will be incorporated into the construction plans.

On pages 87-91, the applicant identifies the proposed site and provide information about the current owner, zoning, and special use permits for the site, and the availability of water, sewer, and waste disposal and power at the site.

### **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.

(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 L, pages 93-94, the applicant provides the historical payor mix from 10/1/2018-09/30/2019, as shown in the table below for Snug Harbor on Nelson Bay and as reflected on their 2020 licensed renewal application.

<b>Snug Harbor on Nelson Bay – Historical Payor Mix – NF (10/1/18-9/30/19)</b>						
<b>Payor Source</b>	<b>Patient Days</b>			<b>Percentage</b>		
	<b>General</b>	<b>SCU</b>	<b>Total NF</b>	<b>General</b>	<b>SCU</b>	<b>Total</b>
Private Pay	2,178	0	2,178	16.3%	0.0%	16.3%
Insurance**	0	0	0	0.0%	0.0%	0.0%
Medicare**	1,919	0	1,919	14.3%	0.0%	14.3%
Medicaid**	8,075	0	8,075	60.3%	0.0%	60.3%
Tricare	0	0	0	0.0%	0.0%	0.0%
Other (specify)	1,225	0	1,225	9.1%	0.0%	9.1%
<b>Total</b>	<b>13,397</b>	<b>0</b>	<b>13,397</b>	<b>100.0%</b>	<b>0.0%</b>	<b>100.0%</b>

\*\*Including any managed care plans

<b>Snug Harbor on Nelson Bay – Historical Payor Mix – ACH (10/1/18-9/30/19)</b>						
<b>Payor Source</b>	<b>Patient Days</b>			<b>Percentage</b>		
	<b>General</b>	<b>SCU</b>	<b>Total ACH</b>	<b>General</b>	<b>SCU</b>	<b>Total</b>
Private Pay	6,922	0	2,178	16.3%	0.0%	16.3%
Insurance**	0	0	0	0	0.0%	0.0%
Tricare	0	0	0	0	0.0%	0.0%
County Assistance	1,058	0	8,075	60.3%	0.0%	60.3%
Other (specify)	1,225	0	1,225	9.1%	0.0%	9.1%
<b>Total</b>	<b>13,397</b>	<b>0</b>	<b>13,397</b>	<b>100.0%</b>	<b>0.0%</b>	<b>100.0%</b>

\*\*Including any managed care plans

In Section L, pages 92-93, the applicant does not provide percentage of total patients served by the facility during the last full fiscal year compared to the percentage of the population of the service area. The applicant provides the following rationale on page 93 as to why they did not include the comparison:

*“Not applicable. The proposal does not involve an existing facility, but is to develop a new facility by relocating licensed beds from a facility that has [been] permanently closed.”*

**Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the applicants adequately document the extent to which medically underserved populations currently would use the applicants’ existing services in comparison to the percentage of the population in the applicants’ service area which is medically underserved by basing their determination on the 2020 licensed renewal application for Snug Harbor on Nelson Bay. Therefore, the application is conforming to this criterion.

- (b) Its past performance in meeting its obligation, if any, under any applicable regulations requiring provision of uncompensated care, community service, or access by minorities and handicapped persons to programs receiving federal assistance, including the existence of any civil rights access complaints against the applicant;

C

Regarding any obligation to provide uncompensated care, community service, or access by minorities and persons with disabilities, in Section L, page 94, the applicant states that they have no such obligation.

In Section L, page 95, the applicants state they are not familiar with any patient civil rights access complaints filed against the closed Snug Harbor on Nelson Bay facility.

**Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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 L, page 95, the applicant projects the following payor mix for the proposed services during the third full fiscal year of operation following completion of the project, as shown in the table below for NH services.

<b>The Embassy at Morehead City – Projected Payor Mix – Third Full Fiscal Year (10/1/2024-9/30/2025) - NH</b>						
<b>Payor Source</b>	<b>Patient Days</b>			<b>Percentage</b>		
	<b>General</b>	<b>SCU</b>	<b>Total</b>	<b>General</b>	<b>SCU</b>	<b>Total</b>
Private Pay	2,774	0	2,774	18.6%	0.0%	18.6%
Insurance*	0	0	0	0.0%	0.0%	0.0%
Medicare*	2,833	0	2,833	19.0%	0.0%	19.0%
Medicaid*	9,291	0	9,291	62.4%	0.0%	62.4%
Tricare	0	0	0	0.0%	0.0%	0.0%
Other (specify)	0	0	0	0.0%	0.0%	0.0%
<b>Total</b>	<b>14,898</b>	<b>0</b>	<b>14,898</b>	<b>100.0%</b>	<b>0.0%</b>	<b>100.0%</b>

\*Including any managed care plans

As shown in the table above, during the third full fiscal year of operation, the applicant projects 18.6 percent of total services will be provided to private pay patients, 19.0 percent to Medicare patients, and 62.4 percent to Medicaid patients for NH services.

In Section L, page 96, the applicant projects the following payor mix for the proposed services during the third full fiscal year of operation following completion of the project, as shown in the table below for ACH services.

<b>The Embassy at Morehead City – Projected Payor Mix – Third Full Fiscal Year (10/1/2024-9/30/2025) - ACH</b>						
<b>Payor Source</b>	<b>Patient Days</b>			<b>Percentage</b>		
	<b>General</b>	<b>SCU</b>	<b>Total</b>	<b>General</b>	<b>SCU</b>	<b>Total</b>
Private Pay	6,881	7,022	13,904 (13,903)	81.9%	81.9%	81.9%
Insurance*	0	0	0	0.0%	0.0%	0.0%
Tricare	0	0	0	0.0%	0.0%	0.0%
County Assistance	1,523	1,554	3,077	18.1%	18.1%	18.1%
Other (specify)	0	0	0	0.0%	0.0%	0.0%
<b>Total</b>	<b>8,404</b>	<b>8,577</b> <b>(8,576)</b>	<b>16,981</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

\*Including any managed care plans  
 Note: Analysts numbers are in parenthesis.

As shown in the table above, during the third full fiscal year of operation, the applicant projects 81.9 percent of total services will be provided to private pay patients and 18.1 percent to County (Special) Assistance patients for ACH services.

On page 96, the applicant provides the assumptions and methodology used to project payor mix during the third full fiscal year of operation following completion of the project. The projected payor mix is reasonable and adequately supported for the following reasons:

- Payor mix projections are based on historical payor mix of the combined Carteret County facilities, as represented in the 2020 facility license renewal applications.
- The historical payor mix for all of Carteret County is a reasonable basis for projecting future payor mix for The Embassy at Morehead City

**Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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 L, pages 96-97, the applicant adequately describes the range of means by which patients will have access to the proposed services.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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 M, page 98, the applicant describes the extent to which health professional training programs in the area will have access to the facility for training purposes and provide supporting documentation in Exhibit M.2.

### **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 applicants adequately demonstrate 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

The applicant proposes to develop a 92-bed replacement nursing facility by relocating 42 NF beds and 50 ACH beds from Snug Harbor on Nelson Bay in Carteret County. The 50 ACH beds will include a 24-bed special care unit (SCU).

On page 115, the 2020 SMFP defines the service area for nursing facility beds as “... *the county in which the bed is located. Each of the 100 counties in the state is a separate service area.*” The Embassy at Morehead City will be located in Carteret County. Thus, the service area for this facility is Carteret County. Facilities may also serve residents of counties not included in their service area.

*Table 10A: Inventory of Nursing Home and Hospital Nursing Care Beds* in the 2020 SMFP, page 180, lists six existing nursing facilities in Carteret County, with a combined total of 424 nursing facility beds, as shown below in the table.

<b>Carteret County Nursing Facility Beds – 2020 SMFP Inventory</b>		
<b>Facility</b>	<b>Location</b>	<b># of Beds</b>
Croatan Ridge Nursing & Rehabilitation Center	Newport	64
Crystal Bluffs Rehabilitation & Health Care Center	Morehead City	92
Harborview Health Care Center	Morehead City	122
PruittHealth-Sea Level (Replacement facility)	Sea Level	0
PruittHealth-Sea Level (Former facility)	Sea Level	104
Snug Harbor on Nelson Bay*	Sea Level	42
<b>Total Beds</b>		<b>424</b>

**Note:** Snug Harbor on Nelson Bay closed permanently in 2019. The proposed new facility would replace the closed Snug Harbor on Nelson Bay NH beds.

**Note:** Harborview Health Care Center is currently closed.

On page 205, the 2020 SMFP defines the service area for adult care home beds as “... *the county in which the adult care home bed is located. Each of the 100 counties is a separate service area.*” The proposed new facility, The Embassy at Morehead City, will be located in Carteret County. Thus, the service area for this facility is Carteret County. Facilities may also serve residents of counties not included in their service area.

*Table 11A: Inventory of Adult Care Homes (Assisted Living) Beds* in the 2020 SMFP, page 211, lists four existing adult care home facilities in Carteret County, with a combined total of 296 adult care home beds, as shown below in the table.

<b>Carteret County Adult Care Home Beds – 2020 SMFP Inventory</b>		
<b>Facility</b>	<b>Location</b>	<b># of Beds</b>
Brookdale Morehead City	Morehead City	72
Carteret House	Newport	64
Carteret Landing	Morehead City	110
Snug Harbor on Nelson Bay*	Sea Level	50
<b>Total Beds</b>		<b>296</b>

**Note:** Snug Harbor on Nelson Bay closed permanently in 2019. The proposed new facility would replace the closed Snug Harbor on Nelson Bay ACH beds.

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 99, the applicant states:

*“The proposed project will have no negative impact on the existing nursing facilities and assisted living facilities in Carteret County, as this is simply a relocation of existing licensed Carteret County beds, and the 42 NF beds represent just 10% of the total licensed NF beds in Carteret County, and the 50 ACH beds represent just 17% of the total licensed ACH beds in Carteret County.”*

Regarding the impact of the proposal on cost effectiveness, in Section N, page 99, the applicant states:

*“The proposed project anticipates offering rates that are competitive to surrounding facilities, while still being within a reasonable range for private pay residents. The project has been planned so as to minimize construction costs in an effort to keep rates competitive while still offering premium services.”*

See also Sections C, F, and Q of the application and any exhibits.

Regarding the impact of the proposal on quality, in Section N, page 100, the applicant states:

*“The applicants propose to develop the project to the highest standards . . . the proposed project will be established with the intent to provide a home-like setting in a community of care. The applicants will also provide Quality Assurance in an effort to adhere to ‘best practices’, as it has been defined in Section C.1.”*

See also Sections C and O of the application and any exhibits.

Regarding the impact of the proposal on access by medically underserved groups, in Section N, page 100, the applicant states:

*“...[A]ll persons will be admitted to the facility without regard to their race, color, creed, age, national origin, handicap, sex, or source of payment. The applicants propose to provide Medicaid access to the 42 NF beds, and Medicaid/Special Assistance access to the 50 ACH beds comparable to the respective averages currently provided in Carteret County long-term care facilities.”*

See also Section L and C of the application and any exhibits.

The applicant adequately describes the expected effects of the proposed services on competition in the service area and adequately demonstrate how the proposal would have a positive impact on cost-effectiveness, quality, and access because the applicant adequately demonstrates that:

- 1) The proposal is cost effective because the applicant adequately demonstrated: a) the need the population to be served has for the proposal; b) that the proposal would not result in an unnecessary duplication of existing and approved health services; and c) that projected revenues and operating costs are reasonable.

- 2) Quality care would be provided based on the applicant's representations about how it will ensure the quality of the proposed services and the applicant's record of providing quality care in the past.
- 3) Medically underserved groups will have access to the proposed services based on the applicant's representations about access by medically underserved groups and the projected payor mix.

### **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 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 O, page 104, the applicant states neither applicant currently owns nor operates any nursing facilities or adult care homes in North Carolina; however, the applicant identifies a total of 37 facilities operated by the applicant and located outside North Carolina. The applicant provides supporting documentation in Exhibit A.7.

In Section O, pages 103-104, the applicants state that, during the 18 months immediately preceding the submittal of the application, incidents related to quality of care have not occurred in any North Carolina facility as neither applicant owns nor operates any nursing facilities or adult care home facilities in North Carolina. The applicant provides supporting documentation in Exhibit O.1 which explains Embassy Healthcare participates with the company IRPO, a Quality Improvement Organization, as mandated by the Centers for Medicare and Medicaid Services to improve facility and patient outcomes. 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 applicant proposes to **relocate** (emphasis added) all 42 existing NF beds and 50 ACH beds at Snug Harbor on Nelson Bay from their current location at 272 Highway 70, Sea Level, NC 28577 to a new replacement facility. The Criteria and Standards for Nursing Facility or Adult Care Home Services, promulgated in 10A NCAC 14C .1100, are not applicable to this review because the applicant does not propose to add new NF or ACH beds to an existing facility or to develop a new facility.