

Long-Term Behavioral Health Committee
Agency Report
Petition for an Adjusted Need Determination for 80 Adult Care Home Beds in
Orange County
2018 State Medical Facilities Plan

Petitioner:

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Request:

Whitcomb Rummel and Christen Campbell request an adjusted need determination for 80 additional adult care home (ACH) beds in Orange County in the *North Carolina Proposed 2018 State Medical Facilities Plan (Proposed 2018 SMFP)*.

Background Information:

Chapter Two of the *Proposed 2018 SMFP* allows for “[a]nyone who finds that the North Carolina State Medical Facilities Plan policies or methodologies, or the results of their application, are inappropriate may petition for changes or revisions. Such petitions are of two general types: those requesting changes in basic policies and methodologies, and those requesting adjustments to the need projections.” The *SMFP* annual planning process and timeline allow for submission of petitions for changes to policies and methodologies in the spring and petitions requesting adjustments to need projections in the summer. It should be noted that any person might submit a certificate of need (CON) application for a need determination in the Plan. The CON review could be competitive and there is no guarantee that the petitioner would be the approved applicant.

For adult care home beds, need is calculated by (1) multiplying age-specific use rates by each county’s corresponding projected age-specific civilian population (in thousands) for the target year (2021) and (2) adding the products of the age-specific projects of beds for each county to determine the county’s projected bed utilization. For each county, the planning inventory is determined based on the number of licensed beds adjusted for license pending beds, beds

available in prior Plans that have not been CON approved, and exclusions from the county's inventory, if any. Each county's bed surplus or deficit is calculated by subtracting the county's planning inventory from the county's projected bed utilization. For a county that projects a deficit of beds, factors determining the number of beds to be allocated are the amount of the deficit and the average occupancy of licensed beds in the county. Based on the standard need methodology, the *Proposed 2018 SMFP* shows that Orange County has a projected surplus of 54 ACH beds for 2021.

Orange County has an inventory of 490 ACH beds. Eighty-nine (89) of those beds are operated by Carol Woods, a Continuing Care Retirement Community (CCRC). According to "Policy LTC-1: Plan Exemption for Continuing Care Retirement Communities – Adult Care Home Beds", CCRCs are to 'be used exclusively to meet the needs of the people with whom the facility has continuing care contracts who have lived in a non-nursing or adult care unit of the continuing care retirement community for a period of at least 30 days', and half the ACH beds developed under this exemption are to be excluded from the inventory. Although Carol Woods is a CCRC, the development of its ACH beds pre-dates Policy LTC-1, and they can admit anyone to those beds; and so, all of its ACH beds are included in the inventory.

Analysis/Implications:

Three of the Petitioners' reasons for their request are addressed in this report:

- 1) There is a lack of access to non-exclusive ACH beds in Orange County and in Chapel Hill, in particular.
- 2) There is a need for non-exclusive ACH memory care capacity in Orange County.
- 3) There is an overstated surplus of ACH beds for Orange County in the Proposed 2018 SMFP.

Access to non-exclusive ACH Beds

According to the Petitioners, facilities with ACH beds in Orange County can be categorized as exclusive or non-exclusive. Facilities that were categorized as 'exclusive' are those whose beds were deemed to be 'out of reach for non-private pay patients and individuals of modest and middle-income means'. The Agency reviewed data provided on "2017 License Renewal Applications for Adult Care Homes" (LRAs) to explore the basis for these categorizations. As shown in Table 1, Brookshire Nursing Center and Brookdale Meadowmont have similar and high percentages of days of care covered though private pay means. However, in the petition, the former is considered non-exclusive and the latter exclusive.

The Petitioners' assert that '[no ACH beds] are available to address the gap that exists for individuals who do not qualify for special assistance but who also cannot afford high-end, costly facilities.' The Stratford and the Crescent Green of Carrboro, both considered by the Petitioner as non-exclusive, have a total of 197 ACH beds and account for approximately 43% of the days of care provided in Orange County. Less than a third of those days of care were covered by private pay at either of these two facilities. Thus, the majority of days of care there are available to those whose care would be reimbursed not only by special assistance, but also by any other means of payment. To add, Carillion Assisted Living of Hillsborough, which the Petitioners also consider non-exclusive, has had over 30% of its days of care covered by non-private pay.

Table 1. Adult Care Beds, Total Days of Care and Payor Mix*

Facility	Licensed Beds	Days of Care			Total Days of Care	% private pay	% County Special Assistance ⁺
		Private Pay	County Special Assistance ⁺	Other means of payment			
The Stratford	77	4,204	18,813	0	23,017	18.26%	81.74%
Crescent Green of Carrboro	120	8,030	22,630	0	30,660	26.19%	73.81%
Carillion Assisted Living of Hillsborough	96	15,326	7,233	0	22,559	67.94%	32.06%
Brookshire Nursing Center	20	4,444	294	0	4,738	93.79%	6.21%
Brookdale Meadowmont ^{^#}	64	14,339	448	0	14,787	96.97%	3.03%
Carol Woods [^]	65	19,823	0	0	19,823	100.00%	0.00%
Carol Woods_Bldg 6 [^]	12	4,246	0	0	4,246	100.00%	0.00%
Carol Woods_Bldg 7 [^]	12	3,860	0	0	3,860	100.00%	0.00%
ORANGE TOTALS	466	74,272	49,418	0	123,690	60.05%	39.95%
STATE TOTALS		6,319,456	5,389,239	330,806	12,039,501	52.49%	44.76%

2017 License Renewal Applications

** Adorable Senior Living is a nursing home with 17 beds, but due to a change in ownership during the data year, did not submit the 2017 LRA. Legion Road Healthcare has 6 ACH beds, but did not operate the full 2016 data year. Both facilities' ACH beds are excluded from analysis.*

⁺ includes Medicaid

[^] classified by petitioner as exclusive

[#] formerly Carolina House of Chapel Hill

While The Stratford tends to experience high occupancy, the Crescent Green of Carrboro and Carillion Assisted Living of Hillsborough tend to have occupancies below the 85% threshold indicated in the *SMFP* (Table 2). This suggests availability of ACH beds in non-exclusive facilities to individuals unable to afford private pay.

Table 2. Adult Care Bed Occupancy Rates, Orange County, 2012 – 2016*

	Number of licensed ACH beds	DATA YEAR				
		2016	2015	2014	2013	2012
The Stratford	77	89.61%	77.92%	100.00%	100.00%	100.00%
Crescent Green of Carrboro	120	68.33%	70.00%	75.83%	72.50%	85.00%
Carillon Assisted Living of Hillsborough	96	66.67%	56.25%	56.25%	70.83%	89.58%
Brookshire Nursing Center	20	55.00%	55.00%	60.00%	95.00%	90.00%
Brookdale Meadowmont [#]	64	70.31%	65.63%	75.00%	n/a	n/a
Carol Woods [^]	65	80.00%	76.92%	92.30%	83.08%	84.60%
Carol Woods_Bldg 6 [^]	12	100.00%	83.33%	16.67%	33.33%	50.00%
Carol Woods_Bldg 7 [^]	12	100.00%	83.33%	66.67%	66.67%	75.00%
ORANGE TOTALS	466	69.41%	67.06%	72.00%	75.77%	85.88%
STATE TOTALS		68.57%	68.15%	71.56%	70.48%	72.91%

2013– 2017 License Renewal Applications

*Adorable Senior Living is a nursing home with 17 beds, but due to a change in ownership during the data year, did not submit the 2017 LRA. Legion Road Healthcare has 6 ACH beds, but did not operate the full 2016 data year nor submit utilization data on the 2017 LRA. Both facilities' ACH beds are excluded from analysis.

[^]classified by petitioner as exclusive

[#]formerly Carolina House of Chapel Hill

Need for non-exclusive ACH Memory Care in Orange County

The Petitioners also base their request on a need for more ACH beds in special care units (SCUs) that are accessible to modest and middle-income residents of Orange County. Within the County, there are three facilities that operate a total of 73 ACH special care unit beds. The large majority of ACH SCU beds (78%) are located in two facilities with a low private-pay payor mix. However, the most recent data on occupancy rates for ACH SCU beds suggest that these beds are being operated at full capacity. The remaining facility, Brookdale Meadowmont, has availability, but almost all their days of care are covered by private pay. Additionally, the overall occupancy rate for the County is well above the 85% threshold used to determine need in the *SMFP*. Thus, the Agency finds support for the Petitioners' assertion that more ACH SCU beds are needed in 'non-exclusive' facilities.

Senate Bill 257, declaring a moratorium on the Department of Health and Human Services (DHHS), Division of Health Service Regulation's (DSHR's) licensure of SCU beds in long term care facilities in North Carolina, was enacted on June 28, 2017 and became effective on July 1, 2017. This law remains in effect until June 20, 2019. This moratorium does not apply to facilities that acquire existing special care units or to facilities who submitted completed licensure applications, along with the applicable license fee, prior to June 1, 2013. During the moratorium, the Secretary of DHHS may issue a license for a special care unit in any area of North Carolina in which the Secretary determines that increased access to SCU services is necessary.

Table 3. Adult Care Beds in Special Care Units: Occupancy Rates in Orange County, 2012 – 2016

	Number of ACH SCU Beds	DATA YEAR				
		2016	2015	2014	2013	2012
The Stratford	33	100.00%	75.76%	100.00%	100.00%	100.00%
Carillon Assisted Living of Hillsborough	24	100.00%	87.50%	83.33%	87.50%	95.83%
Brookdale Meadowmont ^{^*}	16	68.75%	62.50%	0.00%	87.50%	100.00%
ORANGE TOTALS	73	93.15%	76.71%	72.60%	94.64%	98.63%

2013 – 2017 License Renewal Applications

[^]classified by petitioner as exclusive

^{*}formerly Carolina House of Chapel Hill

Potentially Overstated ACH Bed Surplus in Orange County

As noted above, Policy LTC-1 requires that half of a CCRC’s ACH beds be excluded from the inventory; Carol Woods is a CCRC that operates 89 of Orange County’s ACH beds. The Petitioners posit that there is an overstated surplus of ACH beds in the County because all of Carol Woods’ beds are included in the inventory despite the facility’s CCRC status. Indeed, these beds were developed before the Policy LTC-1 was enacted. Thus, all of Carol Woods’ 89 beds impact the current ACH need determination. Accordingly, the *Proposed 2018 SMFP* shows a projected surplus of 54 ACH beds in Orange County.

The Agency agrees that although the ACH beds at Carol Woods are not under Policy LTC-1, and therefore, they are technically available to the general public, it is likely that Carol Woods prioritizes members of its community when these beds become available. Thus, the Petitioners’ argument against their full inclusion in the inventory does have merit. Staff conducted an analysis using the standard ACH need methodology but excluding 44 beds from the inventory. As shown in Table 4, the result is a projected surplus of 10 beds for Orange County.

	Projected Bed Utilization Summary	Total Planning Inventory	Surplus
Proposed 2018 SMFP	436	490	54
44 ACH bed reduction	436	446	10

Agency Recommendation:

Whitcomb Rummel and Christen Campbell request that the 2018 SMFP reflect a need for 80 adult care home (ACH) beds in Orange County. The Agency review has determined that there is a surplus of beds in the County and they are distributed throughout facilities deemed non-exclusive by the petitioner. The Agency has also found that when beds are excluded pursuant Policy LTC-1, a surplus of ACH beds remains. The possibility of modifying existing ACH beds so that they can support memory care is covered under a separate process.

However, the Petitioners have raised an important issue regarding the full inventory inclusion of CCRC beds developed before Policy LTC-1 was established. In late 2017 or early 2018, the State Health Coordinating Council will be conducting a review and accepting comments on the

ACH standard bed need methodology. The Agency recommends inviting the Petitioners to engage in that process.

Given the available information submitted by the August 10, 2017 deadline date for comments on petitions and comments, and in consideration of the factors discussed above, the agency does not recommend approving this request.