

**Petition to the State Health Coordinating Council  
Regarding Special Need Determination  
for Transfer of Up to 100 Adult Care Home Beds  
from Harnett to Wake County  
2017 State Medical Facilities Plan**

July 28, 2016

| <b>Petitioner:</b> |  | <b>Contact:</b> |  |
|--------------------|--|-----------------|--|
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**STATEMENT OF REQUESTED ADJUSTMENT**

Singh Development, LLC (Singh), requests the following change to the *2017 State Medical Facilities Plan (SMFP)* to address a special need to transfer up to 100 adult care home beds from Harnett County to Wake County:

**Table 11C: Adult Care Home Bed Need Determination**  
*(Scheduled for Certificate of Need Review Commencing in 2017)*

It is determined that the service areas listed in the table below need additional adult care home beds as specified.

| County     | HSA | Adult Care Home Bed Need Determination | Certificate of Need Application Due Date** | Certificate of Need Beginning Review Date |
|------------|-----|--|--|---|
| Ashe       | I   | 30                                     | TBD  | TBD                                       |
| Graham     | I   | 20                                     | TBD  | TBD                                       |
| Greene     | VI  | 20                                     | TBD  | TBD                                       |
| Jones      | VI  | 30                                     | TBD  | TBD                                       |
| Wake       | IV  | 100***                                 | TBD  | TBD                                       |
| Washington | VI  | 10                                     | TBD  | TBD                                       |

\* Need determination shown in this document may be increased or decreased during the year pursuant to Policy GEN-2 (see Chapter 4).

\*\* Application due dates are absolute deadlines. The filing deadline is 5:30 p.m. on the application due date. The filing deadline is absolute (see Chapter 3).

\*\*\* This need applies only to existing licensed adult care beds that are transferred from Harnett County facilities.

## REASONS FOR THE PROPOSED ADJUSTMENT

### WAKE COUNTY GROWTH AND AGING

Wake County is growing fast and it is getting older. The Proposed *2017 State Medical Facilities Plan* (SMFP) allocates adult care home beds by county and bases the adult care home bed need determination on need in the year 2020. In the 10 years between 2020 and 2030, the North Carolina State Demographer expects that Wake will add more than 200,000 people.<sup>1</sup> Its median age will go from 37.8 to 40.1. As younger people arrive to take jobs in the county's growing industries, their parents follow for good medical care, and to be near their children and grandchildren. They may start out in a small home or independent living, but as they get older their medical needs increase. The supportive care of an adult care facility makes it possible to extend their independence. Unfortunately, aging also brings a significant increase in memory loss-related diseases. Adult care is the best setting for people with these age-related problems. With a quality adult care environment, most can avoid expensive nursing homes. According to license renewal applications, 56 percent of the beds in use in Wake County are Alzheimer's Dementia residents (1,261 / 2,256 = 55.8%).

Singh Development, LLC (Singh) has learned a great deal about the issues that extended families and single persons face, as residents get older. Singh has several successful communities in Charlotte and Raleigh, North Carolina, and more in Michigan, where the company started. Singh organizes its services around its owners' principles of extended family and professional support. Before it even considers a project, Singh conducts extensive internal market studies on paper and in the field. Singh's North Carolina offices are in Cary.

### NEED METHODOLOGY LIMITATIONS REGARDING WAKE COUNTY

The Proposed Plan shows no need for more adult care beds in Wake County in 2020. The Adult Care forecast, unlike the Nursing Home forecast, uses a statewide need methodology and population growth to forecast need. The Plan makes no adjustment for underused facilities, and assumes that all facilities will operate at 100 percent occupancy, which is not reasonable.

It will be 2019 before the State Medical Facilities Plan shows a need for Wake County. At the current rate of growth, the 2019 SMFP will show a deficit of only 56 beds in the county for the year 2022. Wake County has a number of beds in the inventory that are not available to the general public. Wake County Department of Social Services reports vacancy information and bed count. Of the 44 Wake County Adult Care facilities, 31 reported data. Six facilities that reported to DSS had more than 10 vacant beds. Spot checks show that when more than 10 beds are vacant, the facility has barriers to occupancy, for example beds located in double occupancy rooms. If we exclude facilities with less than 10 vacancies, and assume that all non-reporting facilities are full, 92 beds are not available to the public. These are in six facilities: Brookdale MacArthur, Coventry House of Zebulon, Falls River Village Assisted Living, Hartfields at Cary, Morningside of Raleigh, and Sunset Assisted Living. Wake County has 3,202 unexcluded licensed Adult Care beds. Adjusting the 3,202 beds by the 92 unavailable beds yields 3,110 available beds in Wake County.

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<sup>1</sup> [https://ncosbm.s3.amazonaws.com/s3fs-public/demog/countygrowth\\_2030.html](https://ncosbm.s3.amazonaws.com/s3fs-public/demog/countygrowth_2030.html)

**Table 1 - Wake County Adjusted Adult Care Bed Inventory**

|   |       |
|---|-------|
| <b>Total 2015 SMFP Adult Care Bed Inventory</b> | 3,202 |
| <b>Total Adjustments to Inventory</b>           | 92    |
| <b>Total Available Adult Care Bed Inventory</b> | 3,110 |

Adjusting for just the unavailable beds and a reasonable occupancy rate of 90 percent turns the Wake County surplus to a deficit of 187 beds.

**Table 2 - Wake County Adjusted Adult Care Bed Inventory**

|   |       |       |
|---|-------|-------|
| <b>Occupancy Rate</b>   | 100%  | 90%   |
| <b>Total Licensed not Excluded Table 11B Proposed 2017 SMFP</b> | 3,202 | 2,882 |
| <b>Beds Needed 2020</b>   | 2,977 | 2,977 |
| <b>Total 2020 SMFP Adult Care Beds Needed</b>                   | 225   | -95.2 |
| <b>Total Adjustments to Inventory</b>                           | 92    | 92    |
| <b>Adjusted (Need) / Surplus</b>                                | 133   | (187) |

Wake is now such a large county that it behaves like a collection of smaller ones. Edges of the county, particularly north and south, tend to have fewer services.

**NEED IN HARNETT COUNTY**

Harnett is a smaller younger county with slower growth. Between 2020 and 2030 it will add 22,549 people and the median age will change only slightly from 35.11 to 36.1.

The *Proposed Plan* shows a surplus of 303 beds in Harnett for 2020. Even with a similar adjustment to that completed for Wake, Harnett would have a surplus of beds. Harnett does not have a DSS reporting system like Wake.

**Table 3 - Harnett County Adjusted Adult Care Bed Inventory**

|  |      |       |
|--|------|-------|
| <b>Occupancy Rate</b>                                      | 100% | 90%   |
| <b>Total Licensed not Excluded Table 11B Proposed SMFP</b> | 678  | 610   |
| <b>Beds needed 2020</b>                                    | 376  | 376   |
| <b>Total 2020 SMFP Adult Care Beds (Needed) / Surplus</b>  | 302  | 234.2 |
| <b>Total Adjustments to Inventory</b>                      | 0    | 0     |
| <b>Adjusted (Need) / Surplus</b>                           | 302  | 234   |

**MAINTAIN CONSTANT INVENTORY IN THE STATE**

Balancing the inventory by moving beds to nearby counties keeps the total count of beds in the state constant and reduces the risk of drain on the state Medicaid budget. Limiting the number of transferable-beds in this special need determination to 100 restrains the future impact on both counties. Harnett County will retain a surplus to support future growth. Wake County will fill short-term needs.

**CONCLUSION**

Permitting a transfer of 100 total beds from Harnett to Wake County would maintain the state inventory and would not harm residents of Harnett County. The number would support a reasonable occupancy in Wake County and would permit an applicant to develop a reasonably scaled facility.

**STATEMENT OF ADVERSE EFFECTS ON PROVIDERS AND CONSUMERS IF  
THE ADJUSTMENT IS NOT MADE**

Without this proposed special need adjustment, Wake will not be able to maintain reasonable growth in the infrastructure needed to meet the needs of a young workforce that will have to balance care for an older and a younger generation. This could have a negative downstream impact on Wake's ability to supply a talented labor pool.

## **STATEMENT OF ALTERNATIVES CONSIDERED AND FOUND NOT FEASIBLE**

### **OVERVIEW**

Singh considered several alternatives.

### **WAIT FOR THE PLAN TO CATCH UP**

As noted, this would mean waiting until 2019 for beds to become available for relocations into Wake County. This seems unreasonable in the face of available inventory nearby that could close and, following approval of a Certificate of Need application, transfer to Wake County. The petitioner has determined that 100 Harnett beds that have had declining occupancy are available.

### **CONSIDER BEDS FROM ANOTHER COUNTY OR APPLY POLICY LTC-2**

Agency interpretation of Policy LTC-2 only allows transfer of adult care beds from a county with a surplus in the Plan. Franklin has no surplus beds, Durham has only 97 and Johnston has only 145. With over 300 beds, Harnett has the disproportionate surplus, and therefore the best candidate county to balance the inventory of the region.

### **ACQUIRE UNUSED BEDS IN WAKE COUNTY**

Singh tried this avenue and has exhausted the supply of available beds. Singh has successfully moved unused Wake County beds into active service.

### **REQUEST MORE BEDS**

Singh considered asking for more, given the size of the actual deficit, but believes it could make a reasonable contribution to service in the county with relocation of only 100 beds.

## **EVIDENCE OF NON-DUPLICATION OF SERVICES**

As noted in the earlier discussion, transferring beds, rather than adding new beds would keep the state inventory constant and would not duplicate statewide inventory. Transferring from a county where the surplus is almost half of the inventory to an adjacent county that has access problems will avoid duplication.

## EVIDENCE OF CONSISTENCY WITH NORTH CAROLINA STATE MEDICAL FACILITIES PLAN

### BASIC GOVERNING PRINCIPLES

#### *Safety and Quality*

This basic principle notes:

*“...priority should be given to safety, followed by clinical outcomes, followed by satisfaction.*

*“...As experience with the application of quality and safety metrics grows, the SHCC should regularly review policies and need methodologies and revise them as needed to address any persistent and significant deficiencies in safety and quality in a particular service area.”*

Revisions to need methodologies take years. This special need petition would rebalance inventory without hurting patient satisfaction. A newer facility and more access choices should improve satisfaction in Wake County.

#### *Access*

This basic principle notes:

*“...The first priority is to ameliorate economic barriers and the second priority is to mitigate time and distance barriers.*

*“...The SHCC planning process will promote access to an appropriate spectrum of health services at a local level, whenever feasible under prevailing quality and value standards.”*

Relocating 100 beds from a county with a surplus almost equal to the number of beds needed will not affect access in Harnett County. Putting the beds in a new facility in Wake County will require that the provider make beds available to low-income persons in order to meet Certificate of Need statutory Review Criteria.

## **Value**

This basic principle notes:

*“The SHCC defines health care value as the maximum health care benefit per dollar expended.*

*“...Cost per unit of service is an appropriate metric...*

*”...At the same time overutilization of more costly and/or highly specialized low-volume services without evidence-based medical indication may contribute to escalating health costs without commensurate population-based health benefit.”*

The proposed special need would not increase the statewide inventory of adult care beds. Permitting transfer of up to 100 beds would enable an applicant to develop a cost effective adult care home in a part of Wake County currently underserved.

## **CONCLUSION**

The proposed changes are consistent with and support the Basic Principles that govern the *SMFP*.