

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

DECISION DATE: March 27, 2012
PROJECT ANALYST: Paula Quirin
SECTION CHIEF: Craig R. Smith

PROJECT I.D. NUMBER: F-8762-12 / Waltonwood Cotswold, LLC, Singh Senior Living NC, LLC, and Waltonwood Meyers Park, LLC/ Develop a 125-bed adult care home facility with 27 special care unit beds by relocating 40 existing adult care beds from Charlotte Manor and developing 85 additional adult care beds provided through settlement to Waltonwood Cotswold, LLC / Mecklenberg County

REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

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

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

C

The proposed project is to develop a new 125-bed adult care facility with a 27-bed special care unit for Alzheimer's and related dementia patients in Mecklenberg County. The proposal is to relocate and reopen 40 existing adult care home beds from Charlotte Manor and develop 85 adult care home beds acquired pursuant to a 2003 Settlement Agreement with the NC Department of Health and Human Services. The applicants for this project are Waltonwood Cotswold, LLC (Lessor), Waltonwood Meyers Park, LLC and Singh Senior Living NC, LLC (Lessee). Waltonwood Cotswold, LLC is an applicant because it controls the 40-bed Charlotte Manor adult care home facility that is to be relocated. The 40-bed relocation is the subject of this review. Pursuant to a Settlement Agreement between the NC Department of Health and Human Services, Division of Health Service Regulation, Adult Care Licensure Section; Charlotte Manor, LLC; Bayview Loan Servicing, LLC (the mortgage holder for Charlotte Manor, LLC); and Singh Development, LLC and Singh VI, LLC; Singh Development, LLC, Singh VI, LLC, or

one or more affiliated entities of Singh VI, LLC may purchase the Charlotte Manor facility and subsequently apply for a certificate of need to relocate the facility. Waltonwood Cotswold, LLC has filed a change of ownership application with the Adult Care Licensure Section to obtain a license for the Charlotte Manor facility. It is this 40-bed relocation which is the subject of this application. Waltonwood Cotswold is an affiliated entity of Singh VI, LLC because Waltonwood Cotswold, LLC has the same ownership as Singh VI, LLC.

The second applicant, Waltonwood Myers Park, LLC controls the right to develop 85 adult care beds through a 2003 Settlement Agreement (and certain Amendments to the Settlement) with the Division of Facilities Services (now known as the Division of Health Service Regulation). These 85 beds have never been, and are not now, subject to a certificate of need review.

The third applicant, Singh Senior Living NC, LLC (Lessee) will manage and operate the facility to be known as Waltonwood Cotswold, located at 5201 Randolph Road in Charlotte.

The applicants do not propose to develop any new health service facility beds, services or equipment for which there is a need determination in the 2011 State Medical Facilities Plan (SMFP). However, Policy LTC-2 and Policy GEN-4 are applicable to this review.

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

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

- 1. Demonstrate that the proposal shall not result in a deficit in the number of licensed adult care home beds in the county that would be losing adult care home beds as a result of the proposed project, as reflected in the 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 of licensed adult care home beds in the county that would gain adult care home beds as a result of the proposed project, as reflected in the State Medical Facilities Plan in effect at the time the certificate of need review begins.”*

The existing and proposed locations of the 40 adult care home beds which the applicants propose to relocate and reopen from Charlotte Manor are in Mecklenberg County. The application is conforming to this policy because the relocation is within the host county. The application is consistent with Policy LTC-2.

Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities of the 2011 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 improving 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, the Certificate of Need Section shall impose a condition requiring the applicant to develop and implement an Energy Efficiency and Sustainability Plan for the project that conforms to or exceeds energy efficient 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 are 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 XI.14, page 163 and Exhibit 28, the applicants describe the measures that will be used to promote energy efficient operations which include: use of 90% efficient gas heaters and gas hot water heaters, a minimum of 13 SEER air conditioning condensers, thermal materials to decrease heat loss and gain and motion sensors to control light fixture operation. The applicants describe means to protect and conserve water including use of 1.6 gallon per flush toilets, water efficient landscaping plantings and water sensors on irrigation systems. The applicants state that the building will be in compliance with all energy standards as required by the International Building Code and the North Carolina Building Code.

The applicants adequately demonstrate the project’s plan to assure improved energy efficiency and water conservation. The application is consistent with Policy GEN-4.

The application is consistent with Policy GEN-4 and Policy LTC-2. Therefore, the application is conforming to this criterion.

- (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.

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The applicants, Waltonwood Cotswold, LLC, Singh Senior Living NC, LLC, and Waltonwood Meyers Park, LLC, (collectively Waltonwood) propose to relocate and reopen 40 existing adult care home beds from Charlotte Manor. These beds will be added to 85 adult care home beds to be developed pursuant to a 2003 Settlement Agreement with the Division of Health Service Regulation. The resulting 125 bed adult care home located in Charlotte, will include a 27-bed Special Care Unit to serve Alzheimer's and related dementia residents.

Population to Be Served

In Section III.7(a), page 92, the applicants project that 100% of patients will be from Mecklenberg County during the first full federal fiscal year of operation following completion of the project.

On pages 92-93, the applicants provide their assumptions and methodology for projecting patient origin as follows:

“The applicants have no experience in providing adult care home services in Mecklenberg County. Therefore, the applicants projected ACH resident origin at Waltonwood Cotswold [sic] based on historical ACH resident origin reported on 2011 license renewal applications of Mecklenberg County facilities that report data and are located in Region 5, defined in Section III.1 above.”

The applicants adequately identified the population to be served.

Need for the Proposed Project to Relocate 40-Adult Care Home Beds

In Section III.1(a), page 70, the applicants provide the following needs for relocating and reopening the 40-adult care home beds from Charlotte Manor:

1. It is not financially feasible to renovate the existing Charlotte Manor facility.
2. The need for the 27-bed Special Care Unit (SCU) responds to the need for more adult care home special care beds to serve Alzheimer's and related dementia patients.
3. The need for more ACH beds to serve Medicaid beneficiaries.

The need to develop the 85 adult care home beds pursuant to a 2003 Settlement Agreement with the Division of Health Service Regulation is not part of this review.

“The unmet need that necessitated the inclusion of each of the proposed project components is as follows:

- *The need to replace and reopen existing and licensed but inactive adult care home (ACH) beds;*
- *The need for additional ACH beds as identified by local advocates;*
- *The need base on the sustained growth and aging of the Mecklenberg County population;*
- *Need for more ACH beds to serve Medicaid beneficiaries;*
- *Need for a more ACH beds in Special Care Unit (SCU) for residents with Alzheimer's and related dementia in Mecklenberg County;*
- *Need for competition;*
- *Need based on location of existing services, population and projected population growth within the county.*

In Section III.1(a), page 70, the applicants state the following in regard to the need to replace and relocate 40 existing, unused licensed ACH beds:

“Charlotte Manor, which was acquired by the applicants in 2011, is licensed for 40 ACH beds and is located in Mecklenberg County. Prior to the acquisition, Charlotte Manor was closed because of facility problems that violated licensed standards. The proposed project is based, in part, on the need to replace and relocate the licensed 40 ACH beds.”

In Section III, page 73, the applicants state that the need for more Medicaid adult care home beds is supported by two Mecklenberg County advocates for adult home care residents, an Adult Care Home Supervisor with the Mecklenberg County Department of Social Services and the Director of Family and Program Services for the Western Carolina Chapter of the Alzheimer's Association. The applicants provide conversation logs in Exhibit 21. Advocates interviewed by the applicants stated the greatest need was for SCU Alzheimer's beds that accept Medicaid; and that the wait for Alzheimer's ACH bed placement was more than 6 months, and the wait for Medicaid SCU Alzheimer's ACH bed placement was more than 2 years. In Section III.1, pages 71-72, the applicants project Mecklenberg County population age 65+ will increase 30.8% between 2011 and 2016, with a compound annual increase of 5.52%.

Projected Changes in Population Age 65 and Older

	2011	2016	% increase 2011-2016	CAGR 2011-2016
Mecklenberg County	86,547	113,227	30.8%	5.52%

Statewide	1,267,873	1,521,914	20.0%	3.72%
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The applicants project changes to the median age for Mecklenberg County and North Carolina as shown below.

	2011	2016	% increase 2011-2016	CAGR 2011-2016
Mecklenberg County	34.08	35.51	4.25	0.83%
Statewide	37.03	37.76	2.0%	0.39%

In Section III, page 75, the applicants provide statistics related to Alzheimer's and the projected growing need for additional Alzheimer's SCU beds in Mecklenberg County as shown in the table below:

Table III.6 – Need for Additional Alzheimer's SCU Beds in Mecklenberg County

		2016
<i>a</i>	<i>Population 65+ (See Table III.3)</i>	113,227
<i>b</i>	<i>Percent with Alzheimer's (See Exhibit 20)</i>	12.5%
<i>c</i>	<i>Number with Alzheimer's (a*b)</i>	14,153
<i>d</i>	<i>Percent with Moderate / Severe Alzheimer's (see Exhibit 20)</i>	52.0%
<i>e</i>	<i>Number with Moderate / Severe Alzheimer's (c*d)</i>	7,360
<i>f</i>	<i>Percent Institutional Care (See Exhibit 20)</i>	30. %
<i>g</i>	<i>Number Institutional Care (e*f)</i>	2208
<i>h</i>	<i>SCU Alzheimer's Beds (2011 License Renewal Applications)</i>	621
<i>i</i>	<i>Additional Alzheimer's Beds Needed (g-h);</i>	1,587

In Section III, page 74, the applicants state that there are 43 adult care facilities in Mecklenberg County and that according to the 2011 license renewal applications for the 43 existing adult care facilities, only 17 facilities (39.5%) of ACH in the county offer special care units for patients with Alzheimer's and related dementia disorders. The applicants state that Mecklenberg County has 2,684 available licensed ACH beds of which, 621 beds, (23%) are devoted to patients with Alzheimer's. In Exhibit 26, the applicants provide 2010 occupancy rates for ACH beds and special care unit (SCU) beds in Mecklenberg County which were 78% and 91%, respectively.

In Section III, page 74, the applicant states the following in regard to the need for competition: *"A new entrant into the market place stimulates competition and improves quality of care."*

In Section III, pages 76-79, and Exhibit 24, the applicants provide the methodology and assumptions used to determine the best location for a 125-bed adult care home in Mecklenberg County. The following is a summary of the applicants' methodology and assumptions.

1. The applicants divided Mecklenberg County into 8 regions based on zip code boundaries.
2. The applicants reviewed Mecklenberg County population data by age groups by zip codes

for years 2011 and 2016.

3. The applicants used the 2011-2016 compound annual growth rate (CAGR) to interpolate population for all other years for each age and zip code
4. The applicants divided each age group population by 1,000; multiplied each age group population times its corresponding age specific use rate from 2011 SMFP and added the products to determine the projected utilization.
5. The applicants subtracted the planning inventory from the projected utilization in the previous step to determine the surplus or deficit for each zip code, then compiled the surplus/deficit for each region.
6. The applicants reviewed the suitability of each region and determined Region 5 as most suitable location for reasons described in Section III, pages 78- 79.

In Section III, page 78, the applicants provide a summary of ACH beds surpluses and deficits by region, and state the following in regard to the location of the proposed project:

“After consideration, the applicants selected Region 5 as the optimal location for their proposed project. Region 5 is the Region where the existing Charlotte Manor facility is located. The applicants believe that by remaining in this Region, they can provide access to a similar population that was served by Charlotte Manor. Additionally, the applicants found that Region 5 supported the need for a 125 – bed facility. The applicants also found that Region 5 had parcels of available land of the appropriate size at a reasonable price, had adequate access to major highways and interstates, and was close to support and ancillary services.”

In Section IV.2, page 98, the applicants state that they expect to start by filling one adult care home bed every five days and one special care bed every seven days until the facility reaches a 91.8% occupancy for adult care beds and 96.35 occupancy for special care unit beds, which is a combined occupancy rate of 92.8% for the entire facility.

In Section IV, pages 97-100, the applicants project utilization for the first three years of operation, as summarized in the table below.

Waltonwood Cotswold Projected Utilization Summary Years 1- 3

	FFY 2019 Year 1	FFY2020 Year 2	FFY2021 Year 3
Adult Care Home			

(excludes Special Care)			
Patient Days	13,505	32,170	32,850
% Occupancy	37.8%	89.9%	91.8%
# Beds	98	98	98
ACH beds as % of total	65.5%	77.2%	77.6%
Special Care Unit			
Patient Days	7,215	9,490	9,490
% Occupancy	73.2%	96.3%	96.3%
SCU Beds	27	27	27
SCU Beds as % Total beds	34.5%	22.8%	22.4%
Total Adult Care Home			
Patient Days	20,720	41,660	42,340
% Occupancy	45.4%	91.3%	92.8%
# Beds	125	125	125

In Section IV.2, pages 98-100, the applicants provide projected utilization for each quarter for the Full Federal Fiscal Years 1-3, as shown in the tables below.

Waltonwood Cotswold Adult Care Home Utilization First Full Federal Fiscal Year 10/1/18 – 9/30/19

Adult Care Home (excludes Special Care)	First Quarter 10/1/18-12/31/19	Second Quarter 1/1/19-3/31/19	Third Quarter 4/4/19-6/30/19	Fourth Quarter 7/1/19-9/30/19	First FFY 10/1/18-9/30/19 TOTAL
Patient Days	893	2,511	4,186	5,914	13,505
% Occupancy	9.9%	28.5%	46.9%	65.6%	37.8%
# Beds	98	98	98	98	98
Special Care Unit					
Patient Days	651	1,806	2,366	2,392	7,215
% Occupancy	26.2%	74.3%	96.3%	96.3%	73.2%
# Beds	27	27	27	27	27
Total Adult Care Home					
Patient Days	1,544	4,317	6,552	8,307	20,720
% Occupancy	13.4%	38.4%	57.6%	72.2%	45.4%
# Beds	125	125	125	125	125

Waltonwood Cotswold Adult Care Home Utilization 2nd Full Federal Fiscal Year 10/1/19 – 9/30/20

Adult Care Home (excludes Special Care)	First Quarter 10/1/18-12/31/19	Second Quarter 1/1/21-3/31/20	Third Quarter 4/4/21-6/30/20	Fourth Quarter 7/1/21-9/30/20	2nd FFY 10/1/19-9/30/20
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					Total
Patient Days	7,600	8,100	8,190	8,280	32,170
% Occupancy	84.3%	91.8%	91.8%	91.8%	89.9%
# Beds	98	98	98	98	98
Special Care Unit					
Patient Days	2,392	2,340	2,366	2,392	9,490
% Occupancy	96.3%	96.3%	96.3%	96.3%	96.3%
# Beds	27	27	27	27	27
Total Adult Care Home					
Patient Days	9,992	10,440	10,556	10,672	41,660
% Occupancy	86.9%	92.8%	92.8%	92.8%	91.3%
# Beds	125	125	125	125	125

Waltonwood Cotswold Adult Care Home Utilization 3rd Full Federal Fiscal Year 10/1/20 – 9/30/21

Adult Care Home (excludes Special Care)	First Quarter 10/1/20-12/31/21	Second Quarter 1/1/21-3/31/21	Third Quarter 4/1/21-6/30/21	Fourth Quarter 7/1/21-9/31/21	2nd FFY 10/1/20-9/30/21 Total
Patient Days	8,280	8,100	8,190	8,290	32,850
% Occupancy	91.8%	91.8%	91.8%	91.8%	91.8%
# Beds	98	98	98	98	98
Special Care Unit					
Patient Days	2,392	2,340	2,366	2,392	9,490
% Occupancy	96.3%	96.3%	96.3%	96.3%	96.3%
# Beds	27	27	27	27	27
Total Adult Care Home					
Patient Days	10,672	10,440	10,556	10,672	42,340
% Occupancy	92.8%	92.8%	92.8%	92.8%	92.8%
# Beds	125	125	125	125	125

The applicants adequately identified the population to be served and the need to relocate and reopen the 40 existing beds from Charlotte Manor. Therefore, the application is conforming to this criterion.

- (3a) In the case of a reduction or elimination of a service, including the relocation of a facility or a service, the applicant shall demonstrate that the needs of the population presently served will be met adequately by the proposed relocation or by alternative arrangements, and the effect of the reduction, elimination or relocation of the service on the ability of low income persons, racial and ethnic minorities, women, handicapped persons, and other underserved groups and the elderly to obtain needed health care.

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The applicants propose to relocate and reopen 40 existing ACH beds from Charlotte Manor. The applicants state that the specific site location for the proposed facility is close to the Charlotte Manor facility location and therefore, the applicants will be able to provide access to a similar

population, making the replacement facility geographically accessible to the same population formerly served at Charlotte Manor. Since the beds to be relocated are currently not occupied, no patients will be displaced as a result of the proposed project. With regard to access by the medically underserved, in Section IV.4, page 104, the applicants state:

“The applicants propose to provide services to Medicaid residents, consistent with the Mecklenberg County average, in the 40 adult care home beds that will be transferred from Charlotte Manor.

“The Mecklenberg County adult care home Medicaid average is 30 percent.”

In Section IV.4, page 105, the applicants provide the following tables:

“Table IV.4 – Mecklenberg ACH Medicaid Average

a	Total ACH Residents	2,169
b	Medicaid ACH Residents	649
c	ACH Medicaid Percentage (b/c)	30.0%

Source: 2011 License Renewal Applications

The applicants project that of the 40 relocated adult care beds, 27 will be special care for Alzheimer’s patients, and 12 of the special care beds, or 30% of the 40 relocated beds will be for Medicaid patients [12/40=0.30=30%].

In Section IV.4, page 105, the applicants state:

Because area advocates stated that the greatest need for Medicaid was in Alzheimer’s Special Care beds, the applicants will provide services to Medicaid residents who require Alzheimer’s Special Care Unit beds.”

Thus, the relocation and replacement of the beds will have a positive effect 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. Consequently, the application is conforming to this criterion.

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

CA

In Section III.2, page 81, the applicants state:

“The applicants considered alternatives related to status quo, facility design, location, access/bed mix and proposed services. The applicant carefully evaluated each of these alternatives, and selected a program that emphasizes long term, sustainable value.”

In Section III.1, page 70, the applicants state that renovating the existing Charlotte Manor facility, a 40-bed licensed facility acquired by the applicants in 2011 would not be financially feasible since the engineering systems do not meet code and the facility as designed would not accommodate a SCU for Alzheimer's residents or a neighborhood living arrangement. Therefore, the applicants adequately demonstrate that the proposal is their least costly or most effective alternative, and the application is conforming with this criterion subject to the following conditions:

The applicants, Waltonwood Cotswold, LLC, Singh Senior Living NC, LLC, and Waltonwood Meyers Park, LLC, propose to relocate and reopen 40 existing adult care home beds from Charlotte Manor. These beds will be added to 85 adult care home beds to be developed pursuant to a 2003 Settlement Agreement with the Division of Health Service Regulation. The applicants do not propose to add new beds. Further, the application is conforming with all applicable statutory review criteria. See Criteria (1), (3), (3a), (5), (6), (7), (8), (12), (13c), (14), and (18a) for discussion. Therefore, the applicants adequately demonstrate that the proposal is its least costly or most effective alternative, and the application is approved and conforming to this criterion subject to the following conditions:

- 1. Waltonwood Cotswold, LLC (Lessor), Singh Senior NC, LLC (Lessee) and Waltonwood Meyers Park, LLC shall materially comply with all representations made in their certificate of need application.**
- 2. Waltonwood Cotswold, LLC (Lessor), Singh Senior Living NC, LLC (Lessee) and Waltonwood Meyers Park, LLC shall relocate 40 ACH beds from Charlotte Manor to a new facility with a total of 125 total adult care beds including a 27-bed special care unit upon completion of the project.**
- 3. For the first two years of operation following completion of the project, Waltonwood Cotswold, LLC (Lessor), Singh Senior Living NC, LLC (Lessee) and Waltonwood Meyers Park shall not increase actual private pay charges more than 5% of the projected private pay charges provided in Section X of the application without first obtaining a determination from the Certificate of Need Section that the proposed increase is in material compliance with the representations in the certificate of need application.**
- 4. Waltonwood Cotswold, LLC (Lessor), Singh Senior Living NC, LLC (Lessee) and Waltonwood Meyers Park, LLC shall provide care to recipients of State/County Special Assistance with Medicaid for the facility and the Special Care Unit, commensurate with representations made in Section VI.2.**
- 5. Waltonwood Cotswold, LLC (Lessor), Singh Senior Living NC, LLC (Lessee) and Waltonwood Meyers Park, LLC shall submit all patient charges and patient admissions for each source of patient payment to the**

CON Section at year end for each of the first three operating years following licensure of the beds in the facility.

6. Waltonwood Cotswold, LLC (Lessor), Singh Senior Living NC, LLC (Lessee) and Waltonwood Meyers Park shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Certificate of Need Section, 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

In Section VIII.1, page 127, the applicants project the total capital expenditure for the relocation of the 40 beds from Charlotte Manor will be \$6,081,648, which includes \$1,271,616 in site costs, \$3,861,760 in construction costs, \$207,680 in equipment and furniture costs, \$337,680 in consulting fees, and \$402,912 in finance and miscellaneous costs. The total cost of the 125-adult care home proposed project is \$19,005,150, which includes \$3,973,800 in site costs, \$12,068,000 in construction costs, \$649,000 in equipment and furniture costs, \$1,055,250 in architect and engineering fees and \$1,259,100 in finance and miscellaneous costs.

In Section IX, page 135, the applicants project total start-up expenses of \$387,280 during a one month start-up period. The applicants state that construction will be complete one month prior to admitting residents and that during this one month start-up period, salaries, benefits, and payroll taxes and all related expenses will be covered by Singh Senior Living NC, LLC rent payments. Waltonwood Cotswold, LLC and Waltonwood Meyers Park, LLC will have no start-up expenses. The applicants state that the initial operating period will be 12 months and that total initial operating expenses will be \$1,812,811 for a total working capital cost of \$2,200,091 [$\$387,280$ start-up expenses + $\$1,812,811$ total initial operating expenses = $\$2,200,091$ total working capital].

In Section VIII.1, page 125, the applicants state the capital costs of the project will be financed through a commercial loan to Waltonwood Cotswold, LLC. Exhibit 32 contains a letter dated October 5, 2011 and signed by the Vice President of Comerica Bank, which states:

"We understand that Waltonwood Cotswold, LLC, Singh Senior Living NC, LLC and Waltonwood Meyers Park, LLC are applying for certificate of need approval to construct Waltonwood Cotswold, an adult care home to be located in Mecklenberg County, North Carolina. Waltonwood Cotswold, LLC, Singh Senior Living NC, LLC and Waltonwood Meyers Park, LLC expect that their combined fixed and working capital costs for the adult care home project may be up to \$22,000,000.

We welcome the opportunity to assist with financing of the total fixed and working capital costs for Waltonwood Cotswold, LLC, Singh Senior Living NC, LLC and Waltonwood Meyers Park, LLC to develop Waltonwood Cotswold.

...

As a Tier 1 customer of the Bank, we are familiar with the financial position of Singh Development LLC, Waltonwood Cotswold, LLC, Singh Senior Living, LLC and Waltonwood Meyer Park, and find it to be adequate to support the proposed loan. ... With our long history with Singh, Comerica is committed to moving quickly to evaluate, complete due diligence and underwrite any proposed transaction on a timely basis."

The applicants documented the availability of adequate funds to develop the proposed project. In Section X.4, pages 149-150, the applicants project charges/rates for Waltonwood Cotswold's first three operating years following project completion, as shown in the table below.

**Walton wood Cotswold Projected Per Diem Reimbursement Rate/Charges
Federal Fiscal Years 1,2 &3**

Waltonwood Cotswold	Private Room	Semi-Private Room
ACH (excluding special care)		
Private Pay	\$132.25	\$110.19
State/County Special Assistance	\$38.86	\$38.86
Medicaid Basic PCS	\$18.21	\$18.21
Special Care Unit		
Private Pay	\$164.38	\$131.01
State/County Special Assistance	\$49.81	\$49.81
Medicaid Alzheimer's Special Care Rate	\$44.44	\$44.44

In Form B, the applicants provide the projected operating results and retained earnings for the first three years of operation. The applicants project that they will realize revenue in excess of expenses in Years 2-3 of operation. The table below illustrates the revenue, expenses and profit/loss for the first three years following completion of the project.

Waltonwood Cotswold House Financial Projections

	FFY 2019	FFY 2020	FFY 2021
Revenue	\$3,199,823	\$6,341,737	\$6,442,414
Expenses	\$4,924,998	\$5,286,630	\$5,292,001
Profit /(Loss)	(\$1,725,175)	\$1,055,107	\$1,150,413

In summary, the applicants adequately demonstrate the availability of funds for the capital and operating needs of the proposal and demonstrate that the financial feasibility of the proposal is based upon reasonable projections of costs and revenues. Therefore, the application is conforming to this criterion.

- (6) The applicant shall demonstrate that the proposed project will not result in unnecessary duplication of existing or approved health service capabilities or facilities.

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The applicants, Waltonwood Cotswold, LLC, Singh Senior Living NC, LLC, and Waltonwood Meyers Park, LLC, propose to relocate and reopen 40 existing adult care home beds from Charlotte Manor. These beds will be added to 85 adult care home beds to be developed pursuant to a 2003 Settlement Agreement with the Division of Health Service Regulation. The 85 adult care home beds pursuant to a 2003 Settlement Agreement with the Division of Health Service Regulation are not part of this review. Therefore, the proposed project to replace 40 existing adult care home beds would not result in duplication of existing or approved health service capabilities or facilities. Therefore, the application is conforming to this criterion.

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

C

In Section VII.2, page 118, the applicant provides the following table illustrating the proposed direct care staffing for each shift over a 24-hour day period during the second year of operation.

Proposed Direct Care Staff by Shift For Second FFY (10/1/2019—9/30/2020)	
Day Shift	
ACH Beds (excluding special care)	6.0
Special Care Unit	4.0
Total Adult Care Day Shift	10.0

Evening Shift	
ACH Beds (excluding special care)	6.0
Special Care Unit	4.0
Total Evening Shift	10.0
Night Shift	
ACH Beds (excluding special care)	5.0
Special Care Unit	3.0
Total Night Shift	8.0
Total for Day	
ACH Beds (excluding special care)	17.0
Special Care Unit	11.0
Total Adult care Home	28.0

In Section VII.4(b), page 123, the applicants project 5.22 direct care staff hours per patient day for the 125 bed adult care; 1.65 direct care staff hours per patient day for the ACH beds (excluding special care) and 3.56 direct care staff hours per patient day for the special care unit, as illustrated in the table below.

	Aides	Other	Total
ACH BEDS (excluding special care units)			
A. # of FTEs	24.78	0.77	25.56
B. # of Direct Care Hours per year per FTE	2,080	2,080	2,080
C. Total Direct Care Hours per year (A x B)	51,549	1,606	53,155
D. # of Patient Days	32,170	32,170	32,170
E. # Direct Care Hours per Patient Day (C/D)	1.60	0.05	1.65
SPECIAL CARE UNIT			
A. # of FTEs	16.04	0.23	16.26
B. # of Direct Care Hours per year per FTE	2,080	2,080	2,080
C. Total Direct Care Hours per year (A x B)	33,355	474	33,829
D. # of Patient Days	9,490	9,490	9,490
E. # Direct Care Hours per Patient Day (C/D)	3.51	0.05	3.56
ACH BED TOTAL	5.12	0.10	5.22

In Section VII.3, page 122, the applicants provide proposed staff for the second full federal fiscal year, as illustrated in the table below.

**Waltonwood Cotswold Proposed Staff Second Full Federal Fiscal
Year (10/1/2019—9/30/2020)**

		ADULT CARE HOME BEDS	SPECIAL CARE UNIT	TOTAL FACILITY
	Annual Salary	FTEs	FTEs	FTEs
Routine Services				

Wellness Coordinator	\$45,000	1.0		1.00
Special Care Coordinator	\$45,000		1.0	1.00
Director of Nursing	\$75,000	0.77	0.23	1.00
Nurse Aide	\$20,800	24.78	16.04	40.82
Dietary				
Food Service Supervisor	\$60,000	0.77	0.23	1.00
Cooks	\$31,200	2.32	0.68	3.00
Dietary Aides	\$20,800	6.03	1.78	7.81
Activity Services				
Activity Director	\$35,000	0.77	0.23	1.00
Activity Assistant	\$24,960	0.77	0.23	1.00
Housekeeping/Laundry				
Laundry Aides	\$18,720	4.83	1.42	6.25
Operations & Maintenance				
Maintenance Supervisor	\$60,000	0.77	0.23	1.00
Maintenance Technician	\$31,200	0.77	0.23	1.00
Admin & General				
Administrator	\$80,000	0.77	0.23	1.00
Assistant Administrator	\$45,000	0.77	0.23	1.00
Administrative Reception	\$20,800	3.37	1.00	4.37
Admissions Coordinator	\$50,000	1.54	0.46	2.00
Van Driver	\$20,800	1.16	0.34	1.50
Total Positions		51.21	24.54	75.75

The salary and wages in the proformas for the second operating year total \$1,955,402. Adequate costs for the health manpower and management positions proposed by the applicants in Table VII.3 are budgeted in the pro forma financial statements. The applicants adequately demonstrate the availability of sufficient health manpower and management personnel to provide the proposed services. Therefore, the application is conforming to this criterion.

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

C

In Section II.2, pages 30-55, the applicants list the ancillary and support services that will be made available, including: person care and supervision, health care, nutrition and food services, activities and recreation, family support, on-site beauty and barber services, emergency medical services, dentistry services, support groups, housekeeping/laundry services, therapy services, home health and hospice services, pharmacy services and medication administration, physician services, quality assurance services, and transportation services. In Section II.4, page 66, the applicants state that pharmacy services, food services, beauty and barber services, home health and hospice services will be contracted; and that chaplain services will be provided by local pastors; physician and dental services will be provided by area physicians; and if skilled nursing

services are needed, residents will ne transferred to a nursing home. Exhibit 34 contains letters from vendors interested in providing the following services: nutrition, food services, nursing consultant, pharmacy, speech, physical and occupational therapy, skilled nursing care, beauty/barber and hospice. Exhibit 31 includes letters from the Vice President of Singh Development, LLC to the Senior Vice President of Carolinas Medical Center and to the Chief Operating Officer of Presbyterian Hospital. The stated purpose of these letters is to *"introduce Waltonwood to you and prepare you for a future discussion."* The applicants adequately demonstrated that the proposed service will be coordinated with the existing health care community. Therefore, the application is conforming to this criterion.

- (9) An applicant proposing to provide a substantial portion of the project's services to individuals not residing in the health service area in which the project is located, or in adjacent health service areas, shall document the special needs and circumstances that warrant service to these individuals.

NA

- (10) When applicable, the applicant shall show that the special needs of health maintenance organizations will be fulfilled by the project. Specifically, the applicant shall show that the project accommodates:

- (a) The needs of enrolled members and reasonably anticipated new members of the HMO for the health service to be provided by the organization; and

NA

- (b) The availability of new health services from non-HMO providers or other HMOs in a reasonable and cost-effective manner which is consistent with the basic method of operation of the HMO. In assessing the availability of these health services from these providers, the applicant shall consider only whether the services from these providers:

- (i) would be available under a contract of at least 5 years duration;
- (ii) would be available and conveniently accessible through physicians and other health professionals associated with the HMO;
- (iii) would cost no more than if the services were provided by the HMO; and
- (iv) would be available in a manner which is administratively feasible to the HMO.

NA

- (11) Repealed effective July 1, 1987.

- (12) Applications involving construction shall demonstrate that the cost, design, and means of construction proposed represent the most reasonable alternative, and that the construction project will not unduly increase the costs of providing health services by the person proposing the construction project or the costs and charges to the public of providing health services by other persons, and that applicable energy saving features have been incorporated into the construction plans.

C

The applicant proposes to build a 75,674 square foot facility, which will include 8,292 square feet of common areas (excluding public waiting). Upon completion of the project, the adult care home facility will house 105 private rooms beds of 316 square feet each and 20 semi-private rooms of 411 square feet each, for a total of 125 beds, of which 27 beds will be dedicated to an Alzheimer's Special Care Unit. Exhibit 38 contains the proposed floor plan.

Exhibit 16 contains a letter dated February 12, 2011, from Todd J. Rankin, AIA, which states:

"The proposed facility will be designed and built in compliance with all applicable federal, state and local ordinances and requirements for a licensed adult care home facility. The proposed adult care home will also be designed and specified to meet North Carolina Building Code, National Fire Protection Association Standards, and the American Disabilities Act. The construction cost estimate is based on preliminary concept plans for the proposed project [sic] shown the line drawings and site plans. This estimate reflects the total site work, construction cost, and other items necessary to construct the 125-bed adult care home facility."

The construction cost of \$12,068,000 is based on the architect's estimate of \$159.47 per square foot which is consistent with the subtotal construction contract cost in table VIII.1, page 126.

In Section XI.13 and 14, page 163 and in Exhibit 28, the applicants describe the measures that will be used to contain costs and maintain efficient energy operations. These include individual use of 90% efficient gas heaters; 90% efficient gas water heaters; minimum 13 SEER air conditioning condensers; motion sensors, installation of thermal packages to reduce heat loss/gain and strategies to protect and conserve water including use of 1.6 gallon per flush toilets.

The applicants adequately demonstrate that the cost, design and means of construction are reasonable and that the construction costs will not unduly increase the costs and charges of providing adult care home services in Mecklenberg County. See discussion in Criteria 5 and *Criteria and Standards for Nursing Facility or Adult Care Home Services* 10A NCAC 14C. Therefore, the application is conforming to this criterion.

- (13) The applicant shall demonstrate the contribution of the proposed service in meeting the health-related needs of the elderly and of members of medically underserved groups, such as medically indigent or low income persons, Medicaid and Medicare recipients, racial and ethnic minorities, women, and handicapped persons, which have traditionally experienced difficulties in obtaining equal access to the proposed services, particularly those needs identified in the State Health Plan

as deserving of priority. For the purpose of determining the extent to which the proposed service will be accessible, the applicant shall show:

- (a) The extent to which medically underserved populations currently use the applicant's existing services in comparison to the percentage of the population in the applicant's service area which is medically underserved;

NA

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

NA

- (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

The applicants propose that of the 40 relocated adult care home beds, 27 will be special care for Alzheimer's patients, and 12 of the special care beds, or 30% of the 40 relocated beds will be for Medicaid patients [$12/40=0.30=30\%$]. This is consistent with the applicants' statement from page 104:

"To determine the Mecklenberg County average, the applicants examined 2011 Mecklenberg County License Renewal Applications. The Mecklenberg County adult care home Medicaid average is 30 percent."

In Section III.1, page 73, the applicants state: *"Data from 2011 license renewal applications [sic] shows that Mecklenberg County ACH beds average 30 percent Medicaid utilization."*

In Section VI.(2), page 112, the applicants project that during the second full federal fiscal year, October 1, 2019 through September 30, 2020, 89.5% of patient days would be reimbursed through private pay sources; while only 10.5 % of patients would be reimbursed through Medicaid, as illustrated below. However, this projection includes the 85 beds developed pursuant to the Settlement Agreement, as well as the 40 beds to be relocated from Charlotte Manor.

Waltonwood Cotswold Projected Days [for entire 125 Bed Facility]

as % of Total Days Year 2 (Oct. 1, 2019 – Sept., 30, 2020)

Payor Type	Adult Care Residents (excluding special care)	Special Care Unit Residents	Total Adult Care & Special Care Unit Residents*
Private pay	100%	53.8%	89.5%
Special Assistance with Basic Medicaid	0%	46.2%	10.5%
	100.0%	100.0%	100.0%

***Total adult care and special care unit residents includes 85 beds pursuant to Settlement Agreement**

The applicants adequately demonstrate that the 40 beds to be relocated from Charlotte Manor will provide adequate access to the medically underserved populations. Therefore, the application is conforming with this criterion.

- (d) That the applicant offers a range of means by which a person will have access to its services. Examples of a range of means are outpatient services, admission by house staff, and admission by personal physicians.

C

In Section VI.6, page 116, the applicants state:

“Waltonwood Cotswold will utilize a wide range of means by which a person will have access to its services:

- *Word of mouth – self referrals*
- *Mecklenberg County Department of Social Services*
- *Mecklenberg County Department of Health*
- *Area hospitals including Carolinas Medical Center Health System and Presbyterian Health System*
- *Alzheimer’s Association*
- *Area nursing facilities*
- *Area hospices*
- *Area home care agencies*
- *Area physicians*
- *Family members*
- *Local churches*
- *Local adult day cares.*

The applicants adequately demonstrate the range of means by which patients will have access to the proposed services. Therefore, the application is conforming with this criterion.

- (14) The applicant shall demonstrate that the proposed health services accommodate the clinical needs of health professional training programs in the area, as applicable.

C

Exhibit 30 contains letters from the Vice President of Singh Development, LLC expressing an interest in discussing opportunities for training students from the following programs: Caregivers Institute, Inc.; Central Piedmont community College; Divine Health Academy; ECPI College of Technology; King's College; Mercy School of Nursing; Nurse Aide Institute of Excellence; Presbyterian School of Nursing; Serenity Nurse Aide Academy; Healthcare Services Training and the UNC-Charlotte School of Nursing. The applicants adequately demonstrate that the proposed facility would accommodate the clinical needs of area health professional training programs. 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

In Section V.4, page 108, the applicants state the following in regard to how the proposed project will have a positive impact on the cost effectiveness, quality of care and access of underserved groups to the services proposed:

The proposed project will have a positive impact on the cost effectiveness, quality of care and access of underserved groups to the services proposed. The project will increase access to adult care home services in Mecklenberg County. The project will also add additional secure Alzheimer's SCU services and additional Medicaid beds to Mecklenberg County, services that are advocates noted a need for in Mecklenberg County.

Waltonwood Cotswold, LLC, Singh Senior Living NC, LLC, and Waltonwood Meyers Park, LLC adequately demonstrate that their proposal for a relocation of 40 adult care home beds

would have a positive impact the cost effectiveness, quality of care and access of underserved groups to the services proposed.

- The applicants adequately demonstrate that they will provide a positive impact on cost effectiveness. [see Criterion (1), (3), (4) and (5) for discussion].
- The applicants adequately demonstrate that they will provide quality of care. [see Criterion (7), and (8) for discussion].
- The applicants adequately demonstrate that they will provide adequate access to medically underserved populations [see Criterion (13c) for discussion].

Therefore, the application is nonconforming to this criterion.

- (19) Repealed effective July 1, 1987.
- (20) An applicant already involved in the provision of health services shall provide evidence that quality care has been provided in the past.

NA

- (21) Repealed effective July 1, 1987.
- (b) The Department is authorized to adopt rules for the review of particular types of applications that will be used in addition to those criteria outlined in subsection (a) of this section and may vary according to the purpose for which a particular review is being conducted or the type of health service reviewed. No such rule adopted by the Department shall require an academic medical center teaching hospital, as defined by the State Medical Facilities Plan, to demonstrate that any facility or service at another hospital is being appropriately utilized in order for that academic medical center teaching hospital to be approved for the issuance of a certificate of need to develop any similar facility or service.

C

The application is conforming to all applicable *Criteria and Standards for Nursing Facility or Adult Care Home Services* in 10A NCAC 14C Section .1100. Therefore, the application is conforming to this criterion.

.1101 INFORMATION REQUIRED OF APPLICANT

(a) *An applicant proposing to establish new nursing facility or adult care home beds shall project an occupancy level for the entire facility for each of the first eight calendar quarters following the completion of the proposed project. All assumptions, including the specific methodologies by which occupancies are projected, shall be stated.*

-C- The applicants project the first eight quarters' occupancy levels in Section IV, pages 98-99, and project 92.8% occupancy by the second quarter of the second full federal fiscal year, FFY 2020. The assumptions are provided in Section IV.2(c), page 96. See Criterion (3) for discussion of the reasonableness of the projections and assumptions.

(b) *An applicant proposing to establish new nursing facility or adult care home beds shall project patient origin by percentage by county of residence. All assumptions, including the specific methodology by which patient origin is projected, shall be stated.*

-C- In Section III.7(a), page 92, the applicants project patient origin by county of residence. The applicants state that 100% of admissions will originate from Mecklenberg County. The applicants' assumptions and methodology are provided in Section III.7, pages 92-93.

(c) *An applicant proposing to establish new nursing facility or adult care home beds shall show that at least 85 percent of the anticipated patient population in the entire facility lives within a 45 mile radius of the facility, with the exception that this standard shall be waived for applicants proposing to transfer existing certified nursing facility beds from a State Psychiatric Hospital to a community facility, facilities that are fraternal or religious facilities, or facilities that are part of licensed continuing care facilities which make services available to large or geographically diverse populations.*

-C- In Section III.8(a), page 93, the applicants state that all residents are projected to live within a 45-minute drive of the facility prior to admission. Exhibit 29 contains a map which shows that all of Mecklenberg County is accessible to the proposed facility within a 45-minute driving time.

(d) *An applicant proposing to establish a new nursing facility or adult care home shall specify the site on which the facility will be located. If the proposed site is not owned by or under the control of the applicant, the applicant shall specify at least one alternate site on which the services could be operated should acquisition efforts relative to the proposed site ultimately fail, and shall demonstrate that the proposed and alternate sites are available for acquisition.*

-C- In Section XI.2, page 153, the applicants identify a primary site. See Exhibit 33 contains the land contract.

(e) *An applicant proposing to establish a new nursing facility or adult care home shall document that the proposed site and alternate sites are suitable for development of the facility with*

regard to water, sewage disposal, site development and zoning including the required procedures for obtaining zoning changes and a special use permit after a certificate of need is obtained.

-C- In Section XI.2(e), page 154, the applicants state that the proposed site will require rezoning to Institutional (CD). In Section XI.2(f), page 154, the applicants state that in preliminary discussions with the Charlotte-Mecklenberg Planning Department “... it was stated that an adult care home would be an appropriate land use for the proposed site. The Planning Department staff appeared to be supportive of rezoning the proposed site to the appropriate land use.” In Section XI.2(k), page 156, the applicants state that “the proposed site is currently serviced by water and sewer and that the existing piping is the appropriate size”. In Section XI.2(g), page 154, the applicants state: “Part of the proposed site is located on a 100-year flood plain. However, the applicants do not intend to build in this area.” In Exhibit 35 the applicants provide a copy of “applicable state, county and city floodplain ordinances and regulations that apply to construction [sic] an adult care home on a flood plain”. Exhibit 16 contains a letter from a certified architect stating; “The proposed facility will be designed and build in compliance with all applicable federal, state and local ordinances and requirements for a licensed adult care facility.”

- (f) *An applicant proposing to establish new nursing facility or adult care home beds shall provide documentation to demonstrate that the physical plant will conform with all requirements as stated in 10A NCAC 13D or 10A NCAC 13F, whichever is applicable.*

-C- In Section II.2, page 30, the applicants’ states: that all services will:

“...be provided in accordance with all applicable license rules and standards for adult care homes, including 10A NCAC 13 ‘Rules and Statutes for the Licensing of Adult Care Homes,’ and G.S. Chapter 131 D, ‘Inspection and Licensing of Facilities.’ ”

Exhibit 16 contains a letter from a certified architect stating: “The proposed facility will be designed and build in compliance with all applicable federal, state and local ordinances and requirements for a licensed adult care facility.”

.1102 PERFORMANCE STANDARDS

- (a) *An applicant proposing to add nursing facility beds to an existing facility, except an applicant proposing to transfer existing certified nursing facility beds from a State Psychiatric Hospital to a community facility, shall not be approved unless the average occupancy, over the nine months immediately preceding the submittal of the application, of the total number of licensed nursing facility beds within the facility in which the new beds are to be operated was at least 90 percent.*

-NA- The applicants propose to develop new ACH beds not add NF beds.

- (b) *An applicant proposing to establish a new nursing facility or add nursing facility beds to an existing facility, except an applicant proposing to transfer existing certified nursing facility beds from a State Psychiatric Hospital to a community facility, shall not be approved unless occupancy is projected to be at least 90 percent for the total number of nursing facility beds proposed to be operated, no later than two years following the completion of the proposed project. All assumptions, including the specific methodologies by which occupancies are projected, shall be clearly stated.*

-NA- The applicants propose to develop new ACH beds not NF beds.

- (c) *An applicant proposing to add adult care home beds to an existing facility shall not be approved unless the average occupancy, over the nine months immediately preceding the submittal of the application, of the total number of licensed adult care home beds within the facility in which the new beds are to be operated was at least 85 percent.*

-NA- The applicants propose to develop a new ACH facility.

- (d) *An applicant proposing to establish a new adult care home facility or add adult care home beds to an existing facility shall not be approved unless occupancy is projected to be at least 85 percent for the total number of adult care home beds proposed to be operated, no later than two years following the completion of the proposed project. All assumptions, including the specific methodologies by which occupancies are projected, shall be stated.*

-C- The applicants, in Section IV, Table IV.2, page 99, state that occupancy at the end of the second full year of operation will be 92.8%. All assumptions are provided in Section IV.2(c), page 96.