



Long Term Care Management Services

Caring with Excellence

Shamrock Village
Liberty Healthcare Properties of Mecklenburg County, LLC
Mecklenburg County Healthcare Properties, LLC

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July 1, 2010

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Craig Smith, Chief
Carol L. Hutchison, Project Analyst
DHSR Certificate of Need Section
NC Department of Health and Human Services
701 Barbour Drive
Raleigh, NC 27603

Dear Mr. Smith and Ms. Hutchinson:

In accordance with NC G.S. §131E-185(a1)(1), Shamrock Village, Liberty Healthcare Properties of Mecklenburg County, LLC, and Mecklenburg County Healthcare Properties, LLC hereby submit the following comments related to competing applications filed in response to the need determination in the 2010 NC State Medical Facilities Plan ("SMFP") for 340 adult care home beds to be located in Mecklenburg County. Our comments include discussion of representations made in the competing applications and whether, or not, the applications comply with the relevant review criteria, plans, and standards. We offer comments on the following applications:

- F-8522-10 Preston House I, LLC.**
- F-8515-10 Waltonwood at Ballantyne, LLC**
- F-8526-10 Mount Tabor Ministries, Inc.**
- F-8523-10 Queen City Health Investors, LLC**
- F-8518-10 Brookdale Place of South Charlotte, LLC**
- F-8517-10 The Villages of Mecklenburg Assisted Living, LLC**

Our comments are organized to address specific discrepancies and questions separately for each individual application. Based on our analysis of the applications, our Shamrock Village application represents the most effective alternative for meeting the needs of Mecklenburg County and also is the only application that fully conforms to all the relevant review criteria, plans and standards. We appreciate your consideration of our comments in your review process.

With Regards,

Doug Whitman
Development Director

**Competitive Comments
on Applications Submitted in Response to the
Need Determination for 340 Adult Care Home Beds in
Mecklenburg County**

Submitted by
Shamrock Village

Liberty Healthcare Properties of Mecklenburg County, LLC
Mecklenburg County Healthcare Properties, LLC
Applicants of Project ID #F-8524-10

Overview

We have closely examined each of the applications referenced above for accuracy and to the extent that each meets the review criteria outlined in NC G.S. §131E-183. We discovered discrepancies, omissions, and errors of varying severity in all six applications and found instances in each application where the applicants failed to adequately satisfy review criteria with the information and responses provided.

The purpose of these comments is to highlight those specific issues and how they relate to the relevant criteria, and to address whether they meet the specific review criteria associated with that question. In some instances, specific tables and information from entire sections was omitted, and in others, it seems that the applicants used the incorrect application form.

In all applications, there are flaws and issues of such a nature as to warrant each nonconforming to multiple criteria. Therefore, we assert that Shamrock Village is best positioned to meet the needs of the residents in Mecklenburg County, particularly the underserved, and is the only application submitted that fully conforms to the relevant review criteria, plans, and standards.

Each of the six applications discussed in this document contains deficiencies, uncertainties, or errors that result in non-conformance with specific review criteria as follows:

1. **Preston House I, LLC (Project ID F-8522-10)**
 - a. Page 3
 - b. This application does not conform to Criteria (1), (3), (4), (5), (12), and (18a).
2. **Waltonwood at Ballantyne, LLC (Project ID F-8515-10)**
 - a. Page 6
 - b. This application does not conform to Criteria (3) and (5).

3. **Mount Tabor Ministries, Inc. (Project ID F-8526-10)**
 - a. Page 8
 - b. This application does not conform to Criteria (4), (5), (7), (8), and (14).
4. **Queen City Health Investors, LLC (Project ID F-8523-10)**
 - a. Page 12
 - b. This application does not conform to Criteria (4), (5), (12), and (20).
5. **Brookdale Place of South Charlotte, LLC (Project ID F-8518-10)**
 - a. Page 13
 - b. This application does not conform to Criteria (5).
6. **The Villages of Mecklenburg Assisted Living, LLC (Project ID F-8517-10)**
 - a. Page 14
 - b. This application does not conform to Criteria (1), (3), (5), (6), (13), and (20).

Because of these non-conformities the six applicants identified above should not be approved to develop their respective proposed projects.

Shamrock Village Assisted Living (Project ID #F-8524-10) is the only competitive application for adult care home beds in Mecklenburg County that fully conforms to all the review criteria, standards, and plans. Shamrock Village also provides the most effective alternative to meet the needs of the low-income/State-Assistance population.

Therefore, the Shamrock Village application for 340 adult care beds should be approved for development.

Preston House I, LLC (Project ID F-8522-10)

1. Pg 54 Section III. 1 (e) – Preston House claims that the proposed expansion will have “no impact on existing adult care home facilities...in Mecklenburg County”. The addition of new Alzheimer’s beds in Mecklenburg County will affect how referral sources place residents. It will result in Preston House becoming a bigger and more competitive facility which, in turn, will produce some effect on other existing facilities. Criteria (18a) states, “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 on cost-effectiveness, quality, and access to the services proposed.” Preston House did not adequately address the impact of their proposal, and therefore the application does not conform to Criteria (18a).
2. Pg 60 Section III. 4 – Preston House failed to address how the project is consistent with Policy GEN-3: Basic Principles which states,
“A certificate of need applicant applying to develop or offer a new institutional health service for which there is a need determination in the North Carolina State Medical Facilities Plan shall demonstrate how the project will promote safety and quality in the delivery of health care services while promoting equitable access and maximizing healthcare value for resources expended.”

Preston House failed to address this principle, which is applicable to all health services in its response to III.4. Therefore, Preston House did not fully address the applicable policies in the SMFP and is non-conforming to Criteria (1).

3. Pg. 64 Section IV. Table IV.1 – Preston House supplied historical utilization data for skilled nursing Alzheimer’s Care beds, however the applicant does not have any licensed skilled nursing beds in the existing facility. The applicant therefore failed to provide evidence of past utilization and failed to adequately respond to 10A NCAC 14C .1102 (c).
4. Pg. 66 Section IV. 2 (e) – Preston House failed to specifically identify the methodology used to reach a net average fill-up rate of 3 residents per month. They instead identified methodologies used to predict the total number of Alzheimer’s residents in Mecklenburg County in the year 2025, or 13 years after the proposed opening of the expanded facility. The applicant did not provide any methodology or projections for the year in which the proposed expansion would open. This brings into question the validity of the applicant’s assertion that it can meet its projected fill-up rate, and thus the immediate financial feasibility of the building. Therefore, the applicants did not fully address Criteria (5).
5. Pg. 77 Section IV. 2 (e) – Preston House projects 48.5, 62, and 62 residents originating from Iredell County in FY 2013, 2014, and 2015, respectively. This represents 85% of the

total projected bed census which disagrees with Section III. 7 (a) on pg. 61 which states that 85% of its residents will originate from Mecklenburg County. Therefore, the applicants have submitted conflicting information and have not fully addressed Criteria (3).

6. Pg. 84 Section V. 4 – Preston House fails to specifically address how the proposed project will positively impact cost-effectiveness. Therefore, the applicant did not fully address Criteria (4) and (18a).
7. Pg. 87 Section VI. 4 (b) – Preston House asserts that no financial payment will be required prior to admission. However, the Private Pay Contract provided in Exhibit 14 states in Section II. **Admission Fee** that the resident will be assessed an admission fee of \$2,500.00 “to cover the cost of maintaining the beauty of the residence and to cover the administrative cost of the resident’s move in to the residence.” This fee should have been noted in VI. 4 (b) as a payment required upon admission and appropriate revenue should have been accounted for in Form B. Therefore, the applicant has misrepresented financial and operational projections and is non-conforming with Criteria (5).
8. Pg. 94 Table VII.3 – Preston House lists its administrator’s salary as \$10,000. At 2,080 hours per year this salary equates to \$4.81 per hour. This wage is below Federal Minimum Wage Standards, which is not in compliance with Federal Law. There are other anomalies in this table, including the fact that Personal Care Aides and Medication Aides are paid the same salary. Traditionally, the Medication Aide position is a more qualified one and therefore should be compensated at a higher level. Also, Preston House projects to pay its Housekeeping staff a higher salary than its Activity Director, which would be unusual in the marketplace. Therefore Liberty finds these salary assumptions to be unreasonable, and thus Preston House did not provide reasonable financial projections and is non-conforming with Criteria (5).
9. Pg. 98 Projected Capital Cost – Preston House did not supply a figure for closing costs or site inspection and survey. However, the Real Estate Purchase Agreement supplied as Exhibit 19 states in **Section 15. Adjustments and Costs** – “Purchaser will pay for all tap fees for water and sewer lines to be tapped into the Premises. Purchaser will pay for the survey and environmental audit referenced in this Agreement; Purchaser shall pay the title insurance examination fee and premium, and Purchaser will pay for preparation of the closing documentation.” The purchase agreement specifically references costs that Preston House will incur but have not been provisioned for in Section VIII. The applicants have not adequately represented their capital costs and therefore have not provided adequate funding to ensure financial feasibility. The applicant is therefore non-conforming with Criteria (5) and (12).
10. Pg. 98 Projected Capital Cost – Preston House did not supply a figure for “Interest during Construction”. The amortization schedule provided as Exhibit 16 shows 18

months of interest only payments and the Loan agreement submitted as Exhibit 15 stipulates 18 months of interest only payments. The Proposed Development Schedule in Section XII anticipates obtaining the loan 29 months before construction is complete. Therefore the applicants should have projected a cost for interest during construction. Since the applicants did not supply this they have incorrectly identified their capital cost for the proposed project and have failed to adequately demonstrate how the project will be funded. Therefore the applicant is non-conforming with Criteria (5) and (12).

11. Pg. 108 Table X.1 – The supplied current private pay charge of \$164.80 disagrees with the information reported on the 2010 License Renewal Application, which states Preston House charges a private rate of \$4,150 per month, or \$136.44 per day. Additionally, the applicant projected a rate increase of \$0.20 per diem from the current private pay rate to the projected rate. Per CON instruction the applicants were instructed to keep an existing facility's rates constant throughout the application. Therefore the applicant is non-conforming to Criteria (5).

Waltonwood at Ballantyne, LLC (Project ID F-8515-10)

12. Pg. 124 Section V. 2 (b) – Applicants provided letters from members of the Michigan Alzheimer’s Association and a research group based in Columbus, Ohio. These groups will have little or no relevance to the success of the project, therefore the applicants failed to adequately demonstrate support from groups and individuals **that could affect the project’s success** as is stipulated in V. 2 (b)

13. Pg. 131 Section VI. 2 – Applicants incorrectly identified their projected days for the total Adult Care Home Residents in Table VI.3 and thus the population to be served by miscalculating their anticipated payor source percentages. The applicants stated that the Total Adult Care Home Private Pay will be 61.3% and the Special Assistance with Basic Medicaid will be 38.7%. Total Adult Care Home Private Pay should be 62.1% and Special Assistance with Basic Medicaid should be 37.9%.
 - a. $92\% \times 54 \text{ General ACH Beds} = 49.68 \text{ Beds}$. $49.68 \text{ beds} \div 80 \text{ total beds} = 0.621$ private pay residents.
Therefore the applicants are non-conforming with Criteria (3).

14. Pg. 133 Section VI. 4 (b) – Exhibit 13, page 412 states, “Resident shall pay a one time non-refundable Community Fee”. The applicants failed to identify this charge that will be incurred upon admission and should have included revenue projections in Form B for this payment. Therefore the applicants are non-conforming to Criteria (5).

15. Pg. 147 Table VIII.1 – Applicants do not explain what entity will pay the difference in the land costs reported on line 1 of Table VIII.1 and the total site cost reported in Section XI. These differences are \$2,316,000 for the primary site and \$3,242,400 for the secondary site. The applicants have not provided evidence of financial resources to pay for the rest of the site nor did they provide any evidence of a commitment from another entity to supply the additional capital for the land purchase. Therefore the applicants have not adequately demonstrated the financial feasibility of the project and are non-conforming with Criteria (5).

16. Pg. 170 Section X. 5 – Exhibit 13, page 426-427 contains Appendix C of the Resident Agreement. This agreement shows a daily charge for an incontinence program that ranges from \$3.00/day to \$15.00/day. If a resident wishes to eat a meal in his/her room there is a \$5.00 delivery fee. If a resident wishes to maintain a pet in the facility he/she will be charged a non-refundable \$200 fee in addition to a \$25/month pet fee. These items are charges for services not covered by the monthly rate and should be listed in Section X.5. Therefore the applicants failed to adequately identify expenses that will be charged to the resident and provide for them in the financial projections and thus are non-conforming to Criteria (5).

17. Pg. 170 Section X.5 - If a resident cannot provide his/her own bed, chair, dresser, and nightstand (furniture that is **required by law**, see 10A NCAC 13F .0306 (b) (1)-(8)) then Waltonwood will charge a fee (as stated on pg. 407 in Section 2.a.iii) to supply these furniture items which ranges from \$150/month for a twin bed to \$200/month for a Hi/Low bed (charges are stated on pg.427 in Appendix C. These items are charges for services not covered by the monthly rate and should be listed in Section X.5. Therefore the applicants failed to adequately identify expenses that will be charged to the resident and also propose charges that do not appear with the requirement of law in the State of North Carolina. This represents a significant violation of the North Carolina Administrative Code and an unreasonable cost and is therefore non-conforming with Criteria (5).

18. Pg. 184 Section XI. 10 – The applicants identify their construction cost per square foot to be \$68.49. This is 33% lower than the average of all other applicants' construction costs per square foot of \$102.44 (excluding Brookdale, which estimated no capital costs). The applicants did not provide any additional evidence to support this assumption other than a letter from their architect. It is unreasonable to assume that a facility of this type in this location can be constructed for \$68.49 per square foot. Therefore the applicants failed to adequately project reasonable Capital Costs and sources of financing. The applicants have not adequately demonstrated the financial feasibility of their project and are non-conforming with Criteria (5).

19. Pg. 190 Section XII.3 – Applicants propose to acquire the site 19 months after the issuance of the Certificate of Need. This is contrary to the applicants' claim on pg. 188 which states "The applicants will strive to secure land promptly". Even though the applicants anticipate the Certificate of Need being issued end of November 2010 they do not anticipate beginning actual construction until November 2012. The applicants do not have control over either site and therefore cannot reasonably ensure the land price and availability does not change significantly in two years. The applicants have no provided for any land value appreciation over that time frame. Therefore the applicants have not adequately provided for the funding of this project and are non-conforming with Criteria (5).

Mount Tabor Ministries, Inc. (Project ID F-8526-10)

20. The applicant left significant gaps in the application. The applicant failed to provide a cohesive and complete application with all the information required. For example, the vast majority of the pertinent information in Section IV, including projected utilization and projected patient days by payor source tables, was omitted.
21. Pg. 7 Section I. 7 – Applicant proposes to house Alzheimer’s/Dementia residents in the same unit as Younger Adult Males with disabilities. Admittance to an Alzheimer’s/Dementia unit is dependent on a primary diagnosis of Alzheimer’s or Related Dementia by a physician as outlined in 10A NCAC 13F .1306 and as defined in 10A NCAC 13F .1301. Therefore it is not acceptable to house residents with a primary diagnosis of a Mental Disability in the same unit as residents with Alzheimer’s/Related Dementia. Not only is it unacceptable according to NC regulations but it creates a potentially dangerous environment that would jeopardize the health and safety of the residents of this facility.
22. Pg. 8 Section I. 9 (e) – Applicant indicates that the management of the facility will be contracted, but does not indicate the name of the management company or provide a copy of the proposed management contract. Therefore the applicant is non-conforming to Criteria (8).
23. Pg. 8 Section I. 11 – Applicant failed to identify the names of all owners, partners or persons having a financial interest of five percent or more in the adult care home.
24. Pg. 13 Section III. 3 (a) – Applicant proposes a “physical environment that is self-contained with recreational, dining, and staff area within the unit” as well as an “enclosed outdoor recreational area.” However, the line drawing of the proposed facility provided by the applicant only labels one dining area in the entire building, and no indoor recreational space. The line drawing does not identify what space will be used for the special care unit outdoor recreational area. Furthermore, the line drawing does not identify a space that will be used for the therapy services proposed on pg. 12, Section II.2. Therefore the application is non-conforming to Criteria (7).
25. Pg. 14 Section II. 4 – Applicant states there are “proposed agreements for Pharmacy CVS, RN Consultant, and Dietician Services.” However the applicants do not provide any proposed contracts or letters of intent from providers that would indicate their willingness and ability to provide these services. Therefore the application is non-conforming to Criteria (8).
26. Pg. 26 Section IV. 2 (c) – Applicant states that they will have 30 beds reserved prior to opening (12 SCU beds and 18 ACH beds), and will fill up at a rate of 3 SCU residents and 5 ACH residents per month. However, on pg. 23 the applicant states that they will have

20 SCU beds reserved prior to opening and will fill at a rate of 2 SCU residents per month and that they will have 40 general ACH beds reserved prior to opening. Therefore, the applicant has failed to adequately identify the projected fill up rate for the proposed facility. This conflicting information calls into question the validity of the financial projections and the immediate financial feasibility of the project. The application is therefore non-conforming to Criteria (5).

27. Pg.27-28 – Table IV.2 used to project bed utilization for the first three years of operation has not been completed. Therefore the applicant failed to supply information required of the applicant in 10A NCAC 14C. 1101 (a) and .1102 (d) and are therefore this application cannot be considered for approval.
28. Pg. 30-32 – Table IV.3 used to project patient days by payor source for the first three full years of operation has not been completed. The applicant's failure to provide this information makes it impossible to verify the representations made in the financial Pro Formas Form B and C. Therefore the application is non-conforming to Criteria (5) and cannot be considered for approval.
29. Pg. 33 Section V. 1 – The applicant failed to provide documentation to or from existing health professional training programs demonstrating their willingness to provide a clinical training site. This omission represents direct non-conformance with Criteria (14).
30. Pg. 33 Section V. 2 – The applicant failed to provide evidence of support for the proposal from other groups or individuals who could affect the project's success as requested in V.2. Therefore it is an unreasonable assumption that the applicant would have access to the necessary ancillary and support services and therefore the application is non-conforming to Criteria (8).
31. Pg. 41 Table VII. 2 – Applicants project the number of direct care staff in the ACH wing to be 4.47, 4.49, and 4.36 for the day, evening, and night shifts, respectively. However, the staffing chart provided in 10A NCAC 13F. 0606 requires 36 aide hours and 8 supervisor hours for the day and evening shifts for a bed count of 81-90. This translates to 5.5 direct care staff persons required for these two shifts. Therefore, the applicant has proposed a staffing level that is below state requirements. Subsequently this means that the applicant has not provided enough funding to cover salary expenses for the facility, thus questioning the overall financial feasibility of the project. The application is therefore non-conforming with Criteria (5) and (7).
32. Pg. 43 Table VII.3 – Applicant does not identify the number of FTE's for the ACH portion of the facility nor does it identify the number of FTE's for cooks, dietary aides, activity director, activity aide, driver, housekeeping supervisor, housekeeping aides, laundry aides, and janitors. Additionally, the applicant projects that it will have a total staff of

0.4 FTE's at the following positions: Food Service Supervisor, Maintenance Supervisor, Administrator, Secretary, Admissions Coordinator, Bookkeeper, and Receptionist. 10A NCAC 13F .0603 states (for a facility with a capacity or census of 81 or more residents) "The administrator shall be on duty in the facility at least eight hours per day, five days per week". Therefore, by proposing 0.4 FTE for the Administrator the applicant has proposed staffing that is below minimum required levels. Therefore the applicant did not adequately identify the proposed staff for the facility and the application is non-conforming with Criteria (7).

33. Pg. 47 Table VIII.1 – Applicants failed to identify the costs associated with the proposed commercial loan (line 13). The applicants also failed to identify any costs for Interest during Construction (line 14), even though the proposed loan stipulates 12 monthly interest-only payments before converting to a conventional loan payment with principal and interest. Therefore, the applicants failed to project reasonable capital costs for this project and did not demonstrate the financial feasibility of the project. The application is non-conforming with Criteria (5).
34. Pg. 51 Section IX. 1-3 – Applicant identified Start-up Expenses as \$125,000 and Initial Operating Expenses as \$660,380 and identified the total working capital as \$2,560,000. Clearly there is a calculation error as the total working capital should be \$785,380 if the project start up and initial operating costs are correct. Regardless of which working capital total is correct, the applicant failed to identify the sources of financing for this working capital in IX. 5 on pg. 53. The applicant states on pg. 137 that, "The Start-Up Operating Expenses will be secured by a Line of Credit from One of our multiple Bank Partners." However the applicant does not provide any evidence from these "Bank Partners" that indicates their interest and willingness to provide said financing. Therefore, the applicant failed to adequately provide for the working capital requirements of this proposal and the application is non-conforming with Criteria (5).
35. Pg. 60 Section XI. 2 (b) – The applicant states that the total purchase price of the land will be \$2,250,000. However, the exhibit regarding the primary site (Parcel #'s: 19331130, 19331134, and 19331141) provided by the applicant states that the total price of the land is \$2,600,000. The applicants also provided a letter from a Realtor regarding the primary site, stating that the agreed to price would need to be \$2,400,000, therefore the applicants failed to adequately address the cost of land acquisition and thus this application is non-conforming with Criteria (5).
36. Pg.64-66 Section XI. 5-9 – Applicant failed to address questions XI. 5-9 and thus failed to describe average room size, outdoor activity space, a legible line drawing (the line drawing provided does not label each functional area and type of room), and the detailed square footage table for the building. Thus the application is non-conforming with Criteria (12).

37. Pg. 66 Section XI. 13 – Applicant failed to adequately describe cost, design and construction factors that were considered in the development of the construction estimate and why the alternative chosen is the most reasonable. The applicant merely stated specific details of the construction proposed but fails to discuss any factors that may or may not have been considered. The application is non-conforming with Criteria (4) and (12).

Queen City Health Investors, LLC (Project ID F-8523-10)

38. Pg. 62 Table VIII.1 – The estimate of construction from the Architect provided by the applicants only estimates the cost of construction for the building. The applicants did not provide any guidance or assumptions as to how the site preparation costs (line 4) were estimated. Therefore the application does not fully address Criteria (5) and (12).
39. Pg. 63 & 71 – Applicants propose to finance 100% of capital costs and working capital through Commercial Loans. This increases the capital costs by increasing the interest incurred on the loan and thus represents a less cost effective approach. Furthermore, in today's erratic economic climate it is highly unusual for an entity to obtain a loan with no equity contribution. Therefore, the application is non-conforming with Criteria (4) because the applicant's did not propose the most effective alternative.
40. Pg. 66 Section VIII. 9 – Applicants reference related entities that have CON projects under review but failed to identify these related entities in Section I.12 (a). Therefore, the applicants did not identify any fines or violations that may have occurred in the past by these facilities that share common ownership with the applicants. While this is not in direct conflict with review criteria the applicant's did fail to provide evidence that quality care has been provided in the past and therefore the application does not fully conform to Criteria (20).
41. Pg. 92 Section XII.1 – Applicants failed to identify any possible delays with the project. Therefore, it is uncertain whether they provisioned for delays appropriately in the Proposed Development Table, which is an extremely important element in the application.
42. Pg. 93 Section XII.3 – Applicants estimate that construction will be complete one month prior to opening but project a 2 month start up period. The applicants thus have overlapping timeframes and therefore did not adequately provision for the time necessary to construct the project.

Brookdale Place of South Charlotte, LLC (Project ID F-8518-10)

43. Pg. 85 Table VIII.1 – Applicants identified zero capital costs associated with the proposed project. If the applicants' project was to be approved, the applicants could not incur any unforeseen cost (i.e., buy one chair) without violating the 115% rule. Thus, the applicants should have provisioned for some small capital cost due to unforeseeable circumstances. The application is non-conforming with Criteria (5).
44. Pg. 97 Section X. 4 (c) – Per CON instruction, applicants were supposed to hold all rates constant for the first three full years of operation and to not consider inflation in its projections. However, the applicants increased all private pay charges by 3.5% each year in the first three years of operation. Therefore, the applicants have incorrectly identified their revenue projections and have not adequately addressed the financial feasibility of their project. Thus the application is non-conforming with Criteria (5).
45. Pg.102 Section X. 7 (e) – Per CON instruction, applicants were supposed to hold all expenses constant for the first three full years of operation and to not consider inflation in its projections. However, the applicants increased all expenses by 3.5% each year in the first three years of operation. Therefore, the applicants have incorrectly identified their revenue projections and have not adequately addressed the financial feasibility of their project. Thus the application is non-conforming with Criteria (5).
46. Pg. 116 Section XII. 3 – Applicants do not identify an anticipated date for the licensure and availability of the 37 new ACH beds. The only dates identified are the anticipated date of decision and the anticipated date of issuance of the Certificate of Need.

The Villages of Mecklenburg Assisted Living, LLC (Project ID F-8517-10)

47. Although many of the questions contained in this application are similar or identical to the new adult care home application, it appears that, at least in certain sections, the applicant used the incorrect application form. Several questions and many tables ask for information required of a skilled nursing facility. This is the only application of the seven competing applications that contains different questions than the other six. Because of this apparent error the applicant failed to address certain questions that are contained in the new adult care home application but are not in the version that the applicant used and therefore the applicant failed to conform to all the review criteria, standards and plans.
48. Pg. 10 Section I. 9 – Applicants state that the adult care home will not be operated by the owner of the land and the land will not be leased. The applicants have therefore made it unclear who will own the land if the applicant is the entity that will own the building and operate the adult care home as indicated in I.9 (c). If the applicants are to own the building and operate the adult care home but will not own the land then it seems the applicant has omitted information that may pertain to cost and thus the application does not fully conform to Criteria (5).
49. The applicant omitted questions I.11 and I.12 and therefore failed to describe the ownership interest in the facility and the proposed operator’s experience in managing adult care homes. The applicant failed to identify whether or not they have experience in operating adult care homes in North Carolina. Although the applicant does identify four facilities that the management company (Ridge Care, Inc.) operates on pg. 79, the only information supplied is the name of the facility and the number of beds in the facility. Additionally, the applicant supplied evidence of a single deficiency free survey. This does not constitute adequate evidence that the applicant has provided quality care in the past. The applicant has not provided sufficient evidence of the past performance of all affiliated facilities and therefore the application is non-conforming to Criteria (20).
50. Pg. 83 Section II.6 (a) – Applicant identified four related adult care homes in II.3 (c) on pg. 79 that are not listed in II.6 (a). Therefore, the applicants failed to fully answer this question and the application is non-conforming with Criteria (20).
51. Pg. 85 Section III.1 – Applicant failed to address question III.1 (a)-(f) in the application for an Adult Care Home which states,
- “1. (a) Describe the basis for the need for each of the proposed project components [i.e., number of adult care home beds, and special care units such as Alzheimer’s units] that are described in the scope of services in Sections II.2 and II.3.

- (b) *Explain and provide supporting documentation for assumptions used in determining the number of ACH beds needed and the needs of the specific population to be served.*
- (c) *Provide current occupancy rates for existing ACH beds in the county.*
- (d) *Provide copies of correspondence with the county DSS regarding current occupancy rates of existing ACH beds and the need for additional ACH beds.*
- (e) *Discuss the impact the proposal will have on existing ACH facilities and nursing homes with ACH beds in the county.*
- (f) *Provide the following information for each source of data used to substantiate the need for the proposed project component:*

Agency/Organization Name: _____
 Address: _____
 Contact Person: _____ Telephone Number: _____ "

The applicant's application question III.1 states,

- "1. (a) *Discuss the need for the proposed renovation or replacement of the facility, including such factors as age, building design, room configuration, room types, energy efficiency, and patient environment, safety and security.*"
- (b) *If the existing nursing facility is not operating at 90% of capacity explain why the facility is underutilized and how the proposed project will address the current situation.*
- (c) *If any new special care services are proposed describe the unmet need for these services that necessitated the inclusion these services [i.e. special care units such as Alzheimer's units, sub acute units, ventilator dependent units, or traumatic brain injury (TBI) units].*
- (d) *Provide statistical or other data that substantiates the need for each project component.*"

52. Pg. 87 Section III.1 – Applicant determined the geographical bed need by utilizing the **2008** State Medical Facilities Plan Bed-to-Population Ratios rather than the **2010** ratios. Therefore the applicant's need determination is not consistent with the methodology of the NC SMFP and the application is non-conforming to Criteria (1).

53. Pg. 91 – Applicant omitted question III.3 in the adult care home application which states,

"Describe how the project is consistent with the applicable need determination in the State Medical Facilities Plan."

Therefore the application is non-conforming to Criteria (1) and (6).

54. Pg. 99 – Applicant responded to incorrect version of question IV.2 and failed to provide the net average fill up rate as well as the assumptions used to project the fill-up rates. Although the applicant supplied a fill-up schedule on pgs. 430-431 they provided no methodology, assumptions, or other evidence to support the validity of this fill-up schedule. Thus it is unreasonable to assume that the applicant has adequately accounted for all costs and revenues projected in Form B. Therefore the financial feasibility of this project is questionable and the application is non-conforming to Criteria (5).
55. Pg. 117 – Applicant appears to have used the incorrect application form. Applicant included Table VI.1 from a nursing facility application which projects the number of Title XVIII and Title XIX certified **skilled nursing** beds.
56. Pg. 118 – Applicant failed to address VI.3, "Describe the design features, if any, in the proposed facility to accommodate physically handicapped persons and persons that are in need of supervision." Applicant omitted this question from the application. The application therefore is non-conforming with Criteria (3) and (13).
57. Pg. 128 – Applicant identifies CNA's, med-techs, dietary aides, cooks, and housekeeping aides as positions that work 7.5 hour shifts (37.5 hours per week). However, the response on pg.127 to VII.2 (b) states that all employees will work 40 hour weeks. This makes it unclear if the applicant correctly determined the number of FTE's required to provide the staffing levels projected. The applicant may have miscalculated the necessary staff for this project and therefore may have understated the costs associated with this project. The financial feasibility of this project cannot reliably be determined so the application is non-conforming to Criteria (5).
58. Pg. 137 Table VIII.1 – The purchase price of land in Table VIII.1 (\$591,500) disagrees with the purchase amount stated on pg 158A (\$591,000). The applicant supplied several letters from a Realtor indicating the availability of several parcels. However, there is only one parcel identified that is 7 acres or larger, which is Parcel Number 01714205 and contains 19.42 acres. The rest of the letters reference four additional parcel numbers, the largest of these being 1.09 acres and all added together totals less than 7 acres. Pg. 160 references the secondary site as a 19 acre site and the applicant will "cut out 7 acres". It appears that there is no primary site that is 7 acres unless it is within the same 19 acre tract. Additionally, the Realtor letter that discusses the 19 acre tract makes no mention of willingness on the owner's part to subdivide this parcel, but instead reads, "The **entire** tract should cost approximately \$80,000 to \$90,000 per acre to purchase..." [emphasis added]. The applicant has not adequately explained the difference between

the primary site and secondary site nor have they adequately addressed the cost of the land. If the applicant will need to buy the entire 19 acre tract that could cost up to \$1,710,000, or \$1,118,500 more than the project has budgeted for. The applicant has not provided adequate funding sources and therefore the application is non-conforming to Criteria (5).

59. Pg. 137 Table VIII.1 – This application was prepared by a professional consultant (See pg 8, l.4). However, there is no cost identified for Certificate of Need Preparation under line 12. The applicant did not supply a letter from the professional consultant stating he charitably donated his time to prepare this CON application. Therefore, it must be assumed that there was a cost incurred during the application preparation that should have been accounted for here. Therefore, the applicant did not adequately identify their capital costs and the financial feasibility of this project is uncertain. The application is non-conforming to Criteria (5).

Conclusion

Each of the six applications discussed above contains deficiencies, uncertainties, or errors that result in non-conformance with specific review criteria as follows:

7. **Preston House I, LLC (Project ID F-8522-10)** – This application does not conform to Criteria (1), (3), (4), (5), (12), and (18a).
8. **Waltonwood at Ballantyne, LLC (Project ID F-8515-10)** – This application does not conform to Criteria (3) and (5).
9. **Mount Tabor Ministries, Inc. (Project ID F-8526-10)** – This application does not conform to Criteria (4), (5), (7), (8), and (14).
10. **Queen City Health Investors, LLC (Project ID F-8523-10)** – This application does not conform to Criteria (4), (5), (12), and (20).
11. **Brookdale Place of South Charlotte, LLC (Project ID F-8518-10)** – This application does not conform to Criteria (5).
12. **The Villages of Mecklenburg Assisted Living, LLC (Project ID F-8517-10)** – This application does not conform to Criteria (1), (3), (5), (6), (13), and (20).

Because of these non-conformities the six applicants identified above should not be approved to develop their respective proposed projects. Shamrock Village Assisted Living (Project ID #F-8524-10) is the only competitive application for adult care home beds in Mecklenburg County that fully conforms to all the review criteria, standards, and plans. Shamrock Village also provides the most effective alternative to meet the needs of the low-income/State-Assistance population. Therefore, the Shamrock Village application for 340 adult care beds should be approved for development.

