Buying, Selling, Relocating Assisted Living or Nursing Home Beds in North Carolina

March 31, 2015

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Welcome

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Before We Get Started

> Question? – use the “Chat” feature on the left side of your screen by clicking on the chat button.

> Place your cell phone away from your landline to eliminate call interference.

> Following today’s webinar you will receive a copy of the slide presentation for reference.
What Brings You Here Today?

> Does your facility have an optimal number of beds?

> Could you improve operations and efficiency with additional beds?

> Are you interested in knowing your options for relocating beds either within a county or to a neighboring county?

> Are you ready to sell your facility?

> Would you benefit from selling some of your licensed bed capacity in 2015?
Today’s Objectives

> Learn how the North Carolina Certificate of Need process can be used to facilitate the acquisition, sale, replacement or relocation of beds.

> Get the answers to your questions on when and how you can acquire, sell, or move beds within North Carolina.

> Hear about recent activity across North Carolina involving the sale and relocation of beds.

> Find out about the Brunswick County need and the special care unit (SCU) moratorium.
CON Process and Need Determination

> State Medical Facilities Plan (“SMFP” or “State Plan”)

> Need Determinations are a “determinative limitation” on the # of new beds that can be CON-approved.
> 340 SNF bed need

> Total of sixteen CON applications

> Universal & BellaRose awarded Certificates of Need

> Case on appeal
> 90 SNF bed need

> Total of five CON applications

> Beds awarded to Liberty including a Special Care Unit (SCU)
2015 Nursing Care Bed Need Determination

<table>
<thead>
<tr>
<th>County</th>
<th>HSA</th>
<th>Nursing Care Bed Need Determination*</th>
<th>Certificate of Need Application Due Date**</th>
<th>Certificate of Need Beginning Review Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Davie***</td>
<td>II</td>
<td>12</td>
<td>January 15, 2015</td>
<td>February 1, 2015</td>
</tr>
</tbody>
</table>

It is determined that there is no need for additional nursing care beds anywhere in the state and no other reviews are scheduled.

*Need determinations shown in this document may be increased or decreased during the year pursuant to Policy GEN-2.

**Application due dates are absolute deadlines. The filing deadline is 5:30pm on the Application due date. The filing deadline is absolute.

***The need determination for Davie County was the result of a petition for an adjusted need determination submitted by Bermuda Village Retirement Community.

Source: 2015 State Medical Facilities Plan.
## 2015 Adult Care Home Bed Need Determinations

<table>
<thead>
<tr>
<th>County</th>
<th>HSA</th>
<th>Adult Care Home Bed Need Determination</th>
<th>Certificate of Need Application Due Date</th>
<th>Certificate of Need Beginning Review Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brunswick</td>
<td>V</td>
<td>340</td>
<td>August 17, 2015</td>
<td>September 1, 2015</td>
</tr>
<tr>
<td>Jones</td>
<td>VI</td>
<td>20</td>
<td>February 16, 2015</td>
<td>March 1, 2015</td>
</tr>
<tr>
<td>Washington</td>
<td>VI</td>
<td>10</td>
<td>February 16, 2015</td>
<td>March 1, 2015</td>
</tr>
</tbody>
</table>

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*Need determinations shown in this document may be increased or decreased during the year pursuant to Policy GEN-2.

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Source: 2015 State Medical Facilities Plan.
2015 Opportunities – Limited?

> No nursing home bed reviews remaining in 2015

> 340 adult care home bed need in Brunswick County

> CON Applications due on August 17, 2015
Despite the overall lack of need determinations in 2015, providers can still acquire/sell, replace or relocate adult care home or nursing facility beds within North Carolina.

Proposals to acquire an existing health service facility are exempt from CON review under N.C. Gen. Stat. § 131E-184(a)(8).

A capital expenditure over $2 Million is exempt if the expenditure is solely for the purpose of renovating, replacing on the same site or expanding a nursing home or adult care home with no change in bed capacity for specific purposes.
Notice of Purpose

> Converting semi-private rooms to private

> Providing innovative, home-like residential dining spaces

> Renovating, replacing or expanding residential living or common areas to improve resident quality of life
Policy NH-6: Relocation of Nursing Facility Beds

Relocations of existing licensed nursing facility beds are allowed only within the host county and to contiguous counties currently served by the facility, except as provided in Policies NH-4, NH-5 and NH-7. Certificate of need applicants proposing to relocate licensed nursing facility beds to contiguous counties shall:

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

2. Demonstrate that the proposal shall not result in a surplus of licensed nursing facility beds in the county that would gain nursing facility beds as a result of the proposed project, as reflected in the North Carolina State Medical Facilities Plan in effect at the time the certificate of need review begins.
Policy LTC-2: Relocation of Adult Care Home Beds

> 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 North Carolina State Medical Facilities Plan in effect at the time the certificate of need review begins; and

2. Demonstrate that the proposal shall not result in a surplus 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 North Carolina State Medical Facilities Plan in effect at the time the certificate of need review begins.
Appendix A of the SMFP includes a map of the health service areas:
Contiguous Counties

> Appendix C of the SMFP includes a list of contiguous counties:

<table>
<thead>
<tr>
<th>ALAMANCE</th>
<th>ALEXANDER</th>
<th>ALLEGHANY</th>
<th>ANSON</th>
<th>ASHE</th>
<th>AVERY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Caswell</td>
<td>Caldwell</td>
<td>Ashe</td>
<td>Montgomery</td>
<td>Alleghany</td>
<td>Burke</td>
</tr>
<tr>
<td>Chatham</td>
<td>Catawba</td>
<td>Surry</td>
<td>Richmond</td>
<td>Watauga</td>
<td>Caldwell</td>
</tr>
<tr>
<td>Guilford</td>
<td>Iredell</td>
<td>Wilkes</td>
<td>Stanly</td>
<td>Wilkes</td>
<td>McDowell</td>
</tr>
<tr>
<td>Orange</td>
<td>Wilkes</td>
<td></td>
<td>Union</td>
<td></td>
<td>Mitchell</td>
</tr>
<tr>
<td>Randolph</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Watauga</td>
</tr>
<tr>
<td>Rockingham</td>
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</table>

<table>
<thead>
<tr>
<th>BEAUFORT</th>
<th>BERTIE</th>
<th>BLADEN</th>
<th>BRUNSWICK</th>
<th>BUNCOMBE</th>
<th>BURKE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Craven</td>
<td>Chowan</td>
<td>Columbus</td>
<td>Columbus</td>
<td>Haywood</td>
<td>Avery</td>
</tr>
<tr>
<td>Hyde</td>
<td>Halifax</td>
<td>Cumberland</td>
<td>New Hanover</td>
<td>Henderson</td>
<td>Caldwell</td>
</tr>
<tr>
<td>Martin</td>
<td>Hertford</td>
<td>Pender</td>
<td>Pender</td>
<td>Madison</td>
<td>Catawba</td>
</tr>
<tr>
<td>Pamlico</td>
<td>Martin</td>
<td>Robeson</td>
<td></td>
<td>McDowell</td>
<td>Cleveland</td>
</tr>
<tr>
<td>Pitt</td>
<td>Northampton</td>
<td>Sampson</td>
<td></td>
<td>Rutherford</td>
<td>Lincoln</td>
</tr>
<tr>
<td>Washington</td>
<td>Washington</td>
<td></td>
<td></td>
<td>Yancey</td>
<td>McDowell</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Rutherford</td>
</tr>
</tbody>
</table>
Nursing Care Beds

Case Study: Alexander County

> Contiguous counties: Caldwell, Catawba, Iredell, and Wilkes
> Look at deficit and surplus numbers in Table 10B of the SMFP:

<table>
<thead>
<tr>
<th>County</th>
<th>Surplus/ “-”= Deficit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alexander</td>
<td>-36</td>
</tr>
<tr>
<td>Caldwell</td>
<td>40</td>
</tr>
<tr>
<td>Catawba</td>
<td>96</td>
</tr>
<tr>
<td>Iredell</td>
<td>10</td>
</tr>
<tr>
<td>Wilkes</td>
<td>71</td>
</tr>
</tbody>
</table>
**Adult Care Home Beds**

**Case Study: Alexander County**

- Contiguous counties: Caldwell, Catawba, Iredell, and Wilkes
- Look at deficit and surplus numbers in Table 11B of the SMFP:

<table>
<thead>
<tr>
<th>County</th>
<th>Surplus/ “-”= Deficit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alexander</td>
<td>-27</td>
</tr>
<tr>
<td>Caldwell</td>
<td>26</td>
</tr>
<tr>
<td>Catawba</td>
<td>158</td>
</tr>
<tr>
<td>Iredell</td>
<td>351</td>
</tr>
<tr>
<td>Wilkes</td>
<td>-17</td>
</tr>
</tbody>
</table>
It is important to consider the scope of the proposed project in determining whether the proposal satisfies Policy NH-6 or Policy LTC-2.

In particular, the scope directly impacts the deficit/surplus calculation.

As such, these proposals can involve acquiring beds or a portion of beds from a seller.
Proposals Under Policy NH-6 or Policy LTC-2

> An existing facility can sell any # of its licensed beds.

> The beds to be acquired from the seller can be:

1. Relocated to an existing facility; or
2. Relocated and developed in conjunction with the construction of a new facility.
## Recent Proposals Under Policy NH-6 or Policy LTC-2

<table>
<thead>
<tr>
<th>Project ID #</th>
<th>Applicant</th>
<th>Project Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>M-10367-14</td>
<td>Cumberland County Rehab Center</td>
<td>Relocate the 58 NF beds from Golden Years Nursing Home and the 36 ACH beds from Mann Street Residential Care Facility to develop a new combination nursing facility</td>
</tr>
<tr>
<td>F-10311-14</td>
<td>Cabarrus Manor</td>
<td>Change of scope and cost overrun for Project ID # F-10263-14 by relocating 48 ACH beds to the previously approved 60-bed replacement ACH</td>
</tr>
<tr>
<td>J-10301-14</td>
<td>Universal Health Care/North Raleigh</td>
<td>Relocate 20 NF beds from Universal/Nash for a total of 132 NF beds upon completion</td>
</tr>
<tr>
<td>J-10302-14</td>
<td>Universal Health Care/Fuquay-Varina</td>
<td>Relocate 31 NF beds from Universal/Nash for a total of 100 NF beds upon completion</td>
</tr>
<tr>
<td>J-10303-14</td>
<td>Litchford Falls Healthcare and Rehabilitation Center</td>
<td>Renovate existing combination facility and create new assisted living facility with 75 ACH beds (relocate 24 beds from Litchford, 20 beds from Universal Health Care/North Raleigh, and 31 beds from Universal Health Care/Fuquay Varina)</td>
</tr>
<tr>
<td>J-10316-14</td>
<td>Westfield Rehabilitation and Health Center</td>
<td>Relocate 20 ACH beds from A Step From Residential Care facility</td>
</tr>
</tbody>
</table>
Proposals Must...

> Satisfy relevant portions of Policy NH-6 and/or LTC-2

> When adding beds to an existing facility:
  – Consider sizing of common spaces (dining room, living room, activity room, outdoor space, parking, etc.)
  – Conform with the applicable performance standards
  – Consider the facility’s quality track record: Criterion 20 Pattern Analysis

> When developing beds in conjunction with the establishment of a new facility:
  – Conform with the applicable performance standards
> 10A NCAC 13D .3201(b), (c), and (d)

(b) The total space set aside for dining, activity, and other common use shall not be less than 25 SF per bed for a NF and 30 SF per bed for the ACH portion of a combination facility.

(c) In nursing facilities, included in the total SF required by Paragraph (b) of this Rule, a separate dining area or areas with a minimum of 10 SF per bed shall be provided and a separate activity area or areas with a minimum of 10 SF per bed shall be provided. If a facility is designed with patient and resident household units for 30 or less patients and residents, the dining and activity areas in the household units are not required to be separate.

(d) In combination facilities, included in the total SF required by Paragraph (b) of this Rule, a separate dining area or areas with at least 14 SF per ACH bed shall be provided. The ACH dining area or areas may be combined with the NF dining area or areas. A separate activity area or areas for ACH beds shall be provided with at least 16 SF per ACH bed. The ACH activity area shall not be combined with the activity area or areas required for NF beds.

> 10A NCAC 13F .0206(c)

(c) A facility shall be licensed for no more beds than the number for which the required physical space and other required facilities in the building are available.
Performance Standards

> Nursing Facility Beds, 10A NCAC 14C .1102(a) and (b):

(a) “An applicant proposing to add nursing facility 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 nursing facility beds within the facility in which the new beds are to be operated was at least 90 percent.”

(b) “An applicant proposing to establish a new nursing facility or add nursing facility beds to an existing 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.”
Performance Standards

> Adult Care Home Beds, 10A NCAC 14C .1102(c) and (d):

(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.”

(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.”
Quality Track Record

> Criterion 20 states that:
  “An applicant already involved in the provision of health services shall provide evidence that quality care has been provided in the past.”

> North Carolina Star Rated Certificate program for adult care home facilities

> Current Standard: Pattern Analysis

> Pending Court of Appeals Case
Considerations When Buying or Selling Beds

> Identifying potential seller and/or buyer

> Defining the project & mutually acceptable terms

> Exploring financing options

> Considering timing
  – CON review categories and schedule in 2015
  – In-County Category “I” – Dependent on HSA location
  – Across-County Category “J” – July 2015 statewide
Moving Forward

> Developing a *Memorandum of Understanding* between the seller and buyer as to rights and responsibilities

> Creating legal entities / structure

> Applying for CON or exemption approval

> Contracting with architects and others

> Implementing the project – developing operational strategies
QUESTIONS?

> Please submit your questions using the “Chat” feature on the bottom left of your screen
THANK YOU & FUTURE QUESTIONS

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