



STATE OF NORTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES

ROY COOPER
GOVERNOR

MANDY COHEN, MD, MPH
SECRETARY

March 14, 2019

SENT VIA ELECTRONIC MAIL

The Honorable Josh Dobson, Chair
Joint Legislative Oversight Committee on
Health and Human Services
North Carolina General Assembly
Room 307B, Legislative Office Building
Raleigh, NC 27603

The Honorable Joyce Krawiec, Chair
Joint Legislative Oversight Committee on
Health and Human Services
North Carolina General Assembly
Room 308, Legislative Office Building
Raleigh, NC 27603

The Honorable Donny Lambeth, Chair
Joint Legislative Oversight Committee on
Health and Human Services
North Carolina General Assembly
Room 303, Legislative Office Building
Raleigh, NC 27603

Dear Chairmen:

Session Law 2017-57, Section 11G.3.(b) requires the Department of Health and Human Services, to submit a report on the number of licensed special care units in the state, the capacity of the currently licensed special care units to serve people in need of their services, the anticipated growth in the number of people who will need the services of a licensed special care unit and the number of applications received from special care units seeking licensure and the number of those applications that were not approved. This report is due to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division. Pursuant to the provisions of law, the Department is pleased to submit the attached report.

Should you have any questions about this report, please contact Mark Benton, Deputy Secretary for Health Services, at (919)855-4800.

Sincerely,

Mandy Cohen, MD, MPH
Secretary

cc:	Matt Gross	LT McCrimmon	Rob Kindsvatter	Dave Richard	Rod Davis
	Kody Kinsley	Joyce Jones	Marjorie Donaldson	Steve Owen	Lisa Wilks
	Theresa Matula	Denise Thomas	Katherine Restrepo	Erin Matteson	Mark Benton
	Zack Wortman	Deborah Landry	Susan Perry-Manning	Mark Collins	Jessica Meed
	Mark Payne	reports@ncleg.net			

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AN EQUAL OPPORTUNITY / AFFIRMATIVE ACTION EMPLOYER



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SECRETARY

March 14, 2019

SENT VIA ELECTRONIC MAIL

Mr. Mark Trogdon, Director
Fiscal Research Division
Suite 619, Legislative Office Building
Raleigh, NC 27603-5925

Dear Mr. Trogdon:

Session Law 2017-57, Section 11G.3.(b) requires the Department of Health and Human Services, to submit a report on the number of licensed special care units in the state, the capacity of the currently licensed special care units to serve people in need of their services, the anticipated growth in the number of people who will need the services of a licensed special care unit and the number of applications received from special care units seeking licensure and the number of those applications that were not approved. This report is due to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division. Pursuant to the provisions of law, the Department is pleased to submit the attached report.

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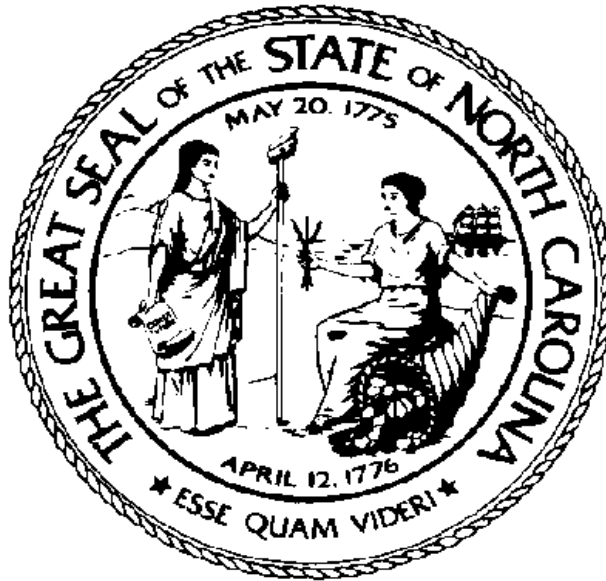
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AN EQUAL OPPORTUNITY / AFFIRMATIVE ACTION EMPLOYER

**Moratorium on Special Care Units
in Adult Care and Nursing Homes**

Session Law 2017-57, Section 11G.3.(b)



**Report to the
Joint Legislative Oversight Committee on Health and
Human Services**

and

Fiscal Research Division

by

North Carolina Department of Health and Human Services

March 14, 2019

Response to Legislative Request

In compliance with Section 11G.3.(b) of Session Law 2017-57, the North Carolina Department of Health and Human Services (Department) is submitting this report to the Joint Legislative Oversight Committee on Health and Human Services on the moratorium on the licensure of special care units for residents with Alzheimer's Disease and related disorders.

As required in Session Law 2017-57, this report contains the following information:

- (1) The number of licensed special care units in the State.
- (2) The capacity of the currently licensed special care units to serve people in need of their services.
- (3) The anticipated growth in the number of people who will need the services of a licensed special care unit.
- (4) The number of applications received from special care units seeking licensure as permitted by this section and the number of those applications that were not approved.

Background and Development

G.S. 131D-4.6, G.S. 131D-8, and G.S. 131E-114 authorize the licensure of special care units in adult care, nursing home, and combination facilities.

General Statute 131D-4.6, G.S. 131D-8, and licensure rules 10A NCAC 13F.1301 et. seq. allow for the special licensure designation of "Special Care Units for Alzheimer's and Related Disorders" (SCU) in adult care homes that meet specific criteria. Adult care homes are licensed for seven or more beds and provide 24-hour care and services to assist residents with activities of daily living (ADLs), medication management, and supervision. Currently, there are 595 licensed adult care homes in North Carolina.

General Statute 131E-114 allows for the licensure designation of SCUs that provide "special care for persons with Alzheimer's disease or other dementias" (ADOD) in nursing and combination homes. The combination homes licensed by the State operate both adult care and skilled nursing beds. There are 438 nursing care and combination homes currently licensed in North Carolina, and of these, 176 are combination homes.

North Carolina licensure rules for SCUs in adult, nursing and combination homes require that, for admission to a unit, the individual must have a diagnosis of Alzheimer's or one of six related disorders as well as an assessment by the facility to determine if it can meet the needs of the resident. Residents can be admitted to a SCU with such a diagnosis at various stages of the disease.

Special Care Units within adult care, nursing, and combination homes subscribe to a philosophy of dementia care that includes a safe, secure, familiar and consistent environment that promotes mobility and minimal use of physical restraints or psychotropic medications; a structured but flexible lifestyle through a well-developed program of care which includes activities appropriate for each resident's abilities; individualized care plans that stress the maintenance of residents'

abilities and promote the highest possible level of physical and mental functioning; and methods of behavior management which preserve dignity through design of the physical environment, physical exercise, social activity, appropriate medication administration, proper nutrition and health maintenance.

Session Law 2013-360, Section 12G.1, established a moratorium from July 31, 2013 through July 1, 2016, on SCU licenses issued by the Department's Division of Health Service Regulation (Division). It included certain "exceptions" to the moratorium, specifically:

- This prohibition shall not restrict the Department from doing any of the following:
- (1) Issuing a license to a facility that is acquiring an existing special care unit.
 - (2) Issuing a license for a special care unit in any area of the State upon a determination by the Secretary of the Department of Health and Human Services that increased access to this type of care is necessary in that area during the three-year moratorium imposed by this section.
 - (3) Processing all completed applications for special care unit licenses received by the Division of Health Service Regulation along with the applicable license fee prior to June 1, 2013.

Session Law 2014-100, Section 12G.5 changed the end date of the moratorium from July 1, 2016 to June 30, 2016 and added one additional "exception" to the moratorium, specifically:

- (4) Issuing a license to a facility that was in possession of a certificate of need as of July 31, 2013, that included authorization to operate special care unit beds.

In 2015, Session Law 2015-241 (Section 12G.2) extended the moratorium until June 30, 2017; and in 2017, the moratorium was again extended until June 30, 2019 by Session Law 2017-57.

Since the law allows for exceptions to the moratorium, a process was developed and implemented by Department for exemption requests. The process for facilities requesting an exemption to the special care unit moratorium can be found on the DHSR website at <https://www2.ncdhhs.gov/dhsr/scumoratorium.html>.

Findings

In accordance with S.L. 2017-57, 11G.3.(b) the findings of this report are outlined below.

The Number of Licensed Special Care Units in the State

As of January 1, 2019, adult care homes are operating 251 SCUs statewide with a total of 8,712 beds. Nursing and combination homes are operating 73 SCUs, which have a total of 1,791 SCU beds. Of those, 1,427 are skilled nursing SCU beds and 364 are adult care SCU beds.

The Capacity of the Currently Licensed Special Care Units to Serve People in Need of Their Services

Calculating occupancy of beds is one approach to assessing whether the current capacity is meeting the need. Average occupancy rates of SCUs are based on data self-reported by facilities on annual license renewal applications and reflect a one-day census “snapshot” of residents in SCU beds. According to the latest occupancy data available, which corresponds to the one-day census in 2017, there were 8,626 licensed adult care SCU beds in adult care and combination homes in the State. The average occupancy of adult care beds in SCUs was approximately 79% and has stayed relatively consistent over the past several years. Also, North Carolina had 1,279 licensed skilled nursing SCU beds in nursing and combination homes with an average occupancy of 74%. Occupancy data was not captured for skilled nursing SCU beds for 2015 and 2016.

Table 1: Total Number of Licensed Special Care Unit Beds in Both Adult Care Homes and Nursing Homes, 2015-2017

Data Year	Licensed Adult Care SCU Beds in Adult Care Homes	Licensed Adult Care SCU Beds in Combination Homes	Licensed Skilled Nursing SCU Beds in Nursing and Combination Homes	Total Number of Licensed SCU Beds
2015	7,830	361	1,487	9,678
2016	8,216	331	1,352	9,899
2017	8,275	351	1,279	9,905

Data Sources: 2016 -2018 Adult Care Home and Nursing Home License Renewal Applications

Table 2: Occupancy of Licensed Adult Care Special Care Unit Beds, 2015-2017

Data Year	Total Licensed Adult Care SCU Beds	Occupied Adult Care SCU Beds (one day census)	Annual Occupancy Rate for Adult Care SCU Beds
2015	7,830*	6,593*	84.2%**
2016	8,547	6,913	80.9%
2017	8,626	6,817	79.0%

Data Sources: 2016 -2018 Adult Care Home and Nursing Home License Renewal Applications

* Occupancy is only for adult care SCUs in adult care homes

**For 2015, the Department had not yet begun collecting data on the occupancy of adult care SCU beds. Therefore, the occupancy rate is based on 7,830 adult care SCU beds in adult care homes.

Table 3: Occupancy of Licensed Skilled Nursing Special Care Unit Beds, 2015-2017

Data Year	Total Licensed Skilled Nursing SCU Beds	Occupied Skilled Nursing SCU Beds (one day census)	Annual Occupancy Rate for Skilled Nursing SCU Beds
2015	1,487	n/a*	n/a*
2016	1,352	n/a*	n/a*
2017	1,279	951	74.4%

Data Sources: 2016 -2018 Adult Care Home and Nursing Home License Renewal Applications

** Occupancy data was not captured for skilled nursing SCU beds for the 2015 and 2016 fiscal years.*

These recent SCU occupancy rates may indicate that need is being met. However, contextual differences such as geographical distances, urban versus rural, need, and payor source can play a role in whether need is being met throughout the State. Only 8,626 adult care special unit beds were in operation in 2017 in adult care homes and nursing homes combined. Yet, there was a total of 12,783 adult care residents diagnosed with ADOD in 2017 in both adult care homes and nursing homes combined. That being said, not all people with ADOD will need or seek access to SCU beds.

Table 4: Total Number of Residents Diagnosed with Alzheimer's or Other Dementia in Adult Care Homes and Nursing Care Homes, 2015-2017

Data Year	Number of Residents with Alzheimer's or Related Diagnosis in facilities with SCU*	Number of Residents with Alzheimer's or Related Diagnosis in facilities without SCU	Total Number of Residents with Alzheimer's or Related Diagnosis	Total Number of Licensed Adult Care SCU Beds
2015	8,207	4,879	13,086	8,191
2016	8,573	5,051	13,624	8,547
2017	8,904	3,879	12,783	8,626

Data Sources: 2016 -2018 Adult Care Home and Nursing Home License Renewal Applications

** Patient totals are for licensed Adult Care beds in both Adult Care Homes and Nursing Homes.*

The Anticipated Growth in the Number of People Who Will Need the Services of a Licensed Special Care Unit

The Alzheimer's Association reports that approximately 170,000 people lived with Alzheimer's disease in North Carolina in 2018. As shown in Table 5, that number is expected to increase to 210,000 by 2025. The projected increase by 2025 is 23.5%.

Table 5: Projected Number of People Aged 65 and Older with Alzheimer’s By Age in NC

Year	Ages 65-74	Ages 75-84	Ages 85 and older	Total
2018	28,000	74,000	66,000	170,000
2020	31,000	79,000	69,000	180,000
2025	35,000	100,000	77,000	210,000

Data Source: Alzheimer’s Statistics: North Carolina, 2018, Alzheimer’s Association, accessed 2/11/2019 at https://www.alz.org/getmedia/c7acc0b8-0cea-42dc-bb03-a12d3811e9a3/statesheet_northcarolina).

It is difficult to accurately determine the anticipated growth in the number of people diagnosed with ADOD who will need the services of an SCU due to a number of variables. The unique characteristics of ADOD would need to be reflected in the methodology to account for both the moderate and severe levels of cognitive impairment according to age group. This variable is based, at least in part, on the assumption that symptoms at the varying levels of cognitive impairment may correlate with increased elopement risk and the need for SCU services; but this assumption would need to be supported by reliable clinical data.

Also, the spectrum of care provided to individuals with ADOD reflects that care for these individuals is provided most often at home by caregivers, paid or unpaid, and also in adult care homes and nursing homes. The reasons an individual with dementia moves through the continuum of care varies from person to person, family to family. Typically, admission to an adult care home or nursing home is the result of increased health care or behavioral needs, or a breakdown in the caregiver support structure (such as the caregiver’s own health issues or death of a caregiver). However, certain individuals living with moderate to severe levels of cognitive impairment may receive appropriate care in a traditional adult care or nursing home while others may require SCU services.

In summation, the data supports that the number of individuals who will be diagnosed with Alzheimer’s or other types of dementia is growing rapidly. While SCUs can help address the expanding need for additional supports and services in the community for individuals diagnosed with ADOD and their caregivers, as discussed previously, a number of variables make it difficult to more precisely predict the future need for licensed SCUs.

The Number of Applications Received from Special Care Units Seeking Licensure as Permitted by Law, and the Number of Those Applications that Were Not Approved.

Since July 1, 2017, 18 adult care homes have acquired already existing special care units under the moratorium exception for that purpose, per Section 11G.3.(a)(1). of Session Law 2017-57, which represents a total of 601 previously licensed SCU beds.

During the same time period, the Department also received 18 applications under the moratorium exception, per Section 11G.3.(a)(2), on special care unit licenses that were evaluated to determine if “increased access to this type of care is necessary in that area during the moratorium[.]” Of these, 13 were submitted by adult care homes and 5 were submitted by nursing and combination homes.

When reviewing applications, the Department assesses whether adult care and nursing homes in the service area (i.e., county) with SCU beds are sufficient to serve the proportion of the population that suffers from ADOD. Relevant criteria include: a) service area occupancy of existing SCUs; b) SCUs in the service area for which licenses are pending; c) projected need based on projected growth of the aging population in the service area in comparison to projected state-level growth; d) current and projected SCU bed deficits in the service area; and e) the proportion of projected bed deficit to bed need.

Of the adult care home exception requests, eleven were approved because the facilities were located in areas where there was evidence that increased access to SCU beds was necessary during the moratorium. These eleven approvals were for a total of 316 beds. Of these approvals, seven facilities have been granted licenses for a total of 189 beds. Two adult care home exemption applications were denied by the Department. These applications did not present evidence that their service areas were unable to meet the current or projected needs of people living with ADOD.

All five of the nursing and combination home applications were approved by the Department because their proposals addressed an unmet need in the facilities' respective service areas. One of the applications that was approved was initially denied and approved only after the facility provided additional evidence of the need for increased access to SCU beds in the area. The five nursing and combination home applications exception requests that were approved were for a total of 158 beds. To date, one license has been issued for 51 of those beds.

The Division has not licensed SCUs since July 1, 2017 for which applications along with applicable license fees were received prior to June 1, 2013. N.C. Session Law 2017-57 (Section 11G.3.(a)(3)). Further, no facilities have received licenses to operate SCUs that had a certificate of need to do so as of July 31, 2013. N.C. Session Law 2017-57 (Section 11G.3.(a)(4)).

Summary

Based on the information supplied in this report on the average occupancy of existing special care unit beds in the State, there appears to be a sufficient number of licensed beds to meet the current need for such services. However, as discussed, the projected number of individuals who will be diagnosed with Alzheimer's or other types of dementia is growing rapidly. Unfortunately, projecting the number of these individuals that will need special care unit beds is complicated by several variables. Continued attention to wide-ranging resources that may be needed for those individuals as well as their caregivers, including facility-level support, is necessary.