

BRIEFING MEMO

Genesis Health Care of Maine, Inc. **Springbrook Center**

DATE: September 12, 2011

TO: Mary Mayhew, Commissioner, DHHS

THROUGH: Catherine Cobb, Director, Division of Licensing and Regulatory Services

FROM: Phyllis Powell, Assistant Director, Planning, Development and Quality
Richard April, Senior Health Care Financial Analyst
Larry Carbonneau, Senior Health Care Financial Analyst

SUBJECT: Addition of 23 nursing facility beds at Springbrook Center in Westbrook, Maine

ISSUE ACTIVATED BY: The referenced proposal requires Certificate of Need (CON) approval as defined in "The Maine Certificate of Need Act of 2002," 22 M.R.S.A. §326 et seq., as amended.

REGISTERED AFFECTED PARTIES: None

I. BACKGROUND:

Springbrook Center is a 123 bed long term care facility located in Westbrook, Maine that currently operates 100 licensed nursing facility beds and 23 licensed residential care beds. Springbrook Center's operating company is Westbrook Operations, LLC, which is a subsidiary of Genesis HealthCare of Maine, Inc. On December 5, 2006, Genesis ME was granted a Certificate of Need to lease and operate Springbrook Center. A new license for Springbrook Center was issued to Westbrook Operations, LLC on December 29, 2006, effective January 1, 2007.

II. PROJECT DESCRIPTION:

Springbrook Center is seeking CON approval to add 23 nursing facility beds to its total nursing facility bed inventory. Capital expenditures involved in this project are being kept to a minimum because the applicant plans to delicense 23 residential care beds. MaineCare neutrality is accomplished by the applicant acquiring bed rights from other facilities. The nursing facility beds, currently on reserve, will be acquired from 6 facilities: 7 from Borderview Manor, 6 from Courtland Rehabilitation and Living Center, 4 from Freeport Nursing and Rehabilitation Center, 6 from Fryeburg Health Care Center, 12 from Sanfield Rehabilitation and Living Center and 11 from Southridge Rehabilitation and Living Center. The project does not involve new construction or renovations and total bed capacity will remain at 123. The cost to acquire reserved nursing facility beds is estimated to be \$568,000. Total project cost is estimated to be \$829,136. This cost is not recoverable by the applicant through MaineCare.

The Preliminary Review by CONU staff, dated August 26, 2011, recommended approval of the application.

III. HIGHLIGHTS:

Letter of Intent dated June 17, 2010
Application filed and certified as complete on July 5, 2011
Public Informational Meeting held July 13, 2011
Preliminary analysis released on August 26, 2011
Record Closed on September 12, 2011

IV. PUBLIC COMMENTS RECEIVED IN RESPONSE TO THE PRELIMINARY ANALYSIS:

Following release of the Preliminary Analysis, no public comments were received.

V. CONU ANALYSIS/APPLICANTS COMMENTS:

i. Fit, Willing and Able:

The applicant stated "Springbrook Center is an existing nursing home that has been operated by Westbrook Operations, LLC since January 1, 2007. Springbrook Center is located at 300 Spring Street, Westbrook, Maine."

Prior to the transfer of operations and Westbrook Operations, LLC becoming the operator, Springbrook Center was operated by the Sandy River Health System ("Sandy River"). A CON was obtained on December 5, 2006 by Genesis ME, a subsidiary of Genesis HealthCare Corporation. Genesis ME formed 11 separate limited liability companies ("LLCs") to operate 11 facilities, including forming Westbrook Operations, LLC to operate Springbrook Center.

Springbrook's most recent license was issued on March 15, 2011. The license is valid from April 1, 2011 through March 31, 2012. CON is not aware of any significant changes that adversely affect Genesis HealthCare Corporation.

ii. Economic Feasibility:

The applicant identified resources of \$1,021,009. The expected expenditures for MaineCare would be \$1,008,352. The excess of \$12,657 in resources from the transaction would be placed in the MaineCare Funding Pool for future use. The applicant has demonstrated their ability to economically support this project.

iii. Public Need:

Cumberland County has approximately 1,023 licensed residential care beds. The increase in nursing facility beds is within the projected increased need in Scenarios 2 and 3 of the 2006 Lewin Model which estimates future need for long term care services throughout the state of Maine. The project would not satisfy the public need requirement in Scenario 1 of the study because this scenario projects a continuing decrease in demand for nursing facility beds. As of this time, CON is unable to determine whether Scenario 1, 2, or 3 represents the most likely trend for the Springbrook service area.

The applicant stated that Springbrook Center has maintained an occupancy rate of 95% or higher meaning the facility is virtually full. Springbrook had over 1,350 referrals in 2010 and was able to admit 462, or 34.2% of these referrals. This indicates there is a public need for nursing facility services that is not currently being satisfied. Information provided by the applicant indicates a large number of non-admits result from the facility being essentially full or not having the right type of beds.

iv. Orderly and Economic Development:

Cumberland County is Maine's largest county and as such has the greatest need for long term care beds. The acquisition of 46 banked nursing facility beds from other facilities maintains MaineCare neutrality. The source of the resources being used are reserved beds that presently do not serve any patients. Because the project is MaineCare neutral, the impact of the project on total health care expenditures and competing demands in the local service area and statewide for available resources for health care are mitigated.

This project will increase bed availability by 23 nursing beds in Cumberland County. There have been no other requests in this year to add Nursing Care beds, therefore the availability of state funds to cover any increase in state costs associated with utilization of the project's services is recognized by not exceeding the annual limit of 100 beds included in 22 M.R.S.A §334-A(1).

v. State Health Plan:

The applicant is redirecting resources and focus to providing sub-acute services to Maine's elderly population. This project will allow the applicant to focus on its core business of providing skilled nursing care services. As the applicant states, there would be no additional increase to total healthcare expenses.

The project will improve access to nursing facility services for the population, as it will add 23 nursing facility beds. In addition, the beds will focus on transitional care which will improve patient access to high level sub-acute care services.

vi. Outcomes and Community Impact:

For the purposes of health care needs covered by the CON process this proposal does not negatively affect the quality of care by existing service providers because the proposed increase does not appear to be a material change to the number of available beds. When the need for residential care services is included, other providers of this service may find that the level of services available is insufficient to provide quality care to all those who need it. However, the applicant plans to transition the 23 residential care patients over several months to minimize patient hardship. The applicant does not anticipate any problems with finding alternative facilities for these patients.

vii: Service Utilization:

This project would not significantly increase the number of available beds in the service area and therefore would not represent an inappropriate increase in service utilization.

viii. Funding and MaineCare Nursing Facility Fund:

This project utilizes no resources from the MaineCare Nursing Facility Fund.

VI. CONCLUSION:

For all the reasons set forth in the Preliminary Analysis and in the record, CONU concludes that the review criteria have been satisfied. CONU recommends the approval of a CON.

VII. RECOMMENDATION:

CONU recommends this proposal be **Approved**.

Estimated Capital Expenditure: \$820,598