**Date: May 1, 2014**

**Project**: **REVISED**: **Addition of 13 NF beds and building renovations**

**Proposal by: Maple Grove Nursing Home, Inc.**

**Prepared by: Larry Carbonneau, Manager Health Care Oversight, DLRS**

**Richard Lawrence, Senior Health Care Financial Analyst, DLRS**

**Directly Affected Party: None**

**Certificate of Need Unit Recommendation: Approval**

 **Proposed Approved**

 **Per Applicant** **CON**

Estimated Capital Expenditure $ 1,288,000 $ 1,288,000

Maximum Contingency $ 0 $ 0

Total Capital Expenditure with Contingency $ 1,288,000 $ 1,288,000

Pro-Forma Marginal Operating Costs $ 1,300,000 $ 1,300,000

MaineCare Neutrality Established Yes

# I. Abstract

**A. From Applicant**

“Maple Grove Nursing Home, Inc. d/b/a Madigan Estates (MGNH) operates an 86-bed nursing and 47-bed residential care facility, and an adjacent 14-bed independent living facility in Houlton, Maine. MGNH has been an integral part of the greater Houlton community since 1972. Brenda Brown has owned and operated the facility since inception. The current ownership of MGNH is Brenda Brown – 40% and 30% each to her children Jim Brown and Debbie Fitzpatrick. Jim and Debbie are both licensed multi-level administrators and actively participate in the daily operations as the facility’s Business Manager and Director of Social Services and Admissions, respectively. The facility has consistently complied with both federal and state regulations. Located in a rural community in central Aroostook County, MGNH provides the necessary services to the frail and elderly and rehabilitative services to the population after surgery or illness. MGNH is one of the largest employers in Houlton and is actively involved in the community. The facility has always prided itself on being a positive, stable environment for those in need of services and good paying jobs.”

**“Brief Description of Project”**

“The proposed project entails converting 13 residential care beds to nursing beds and the addition of 12 nursing beds along with certain renovations to the facility. Upon completion of the project, the facility will have a total of 145 beds which will consist of a 111-bed nursing unit and a 34-bed residential care unit. The estimated costs of the project are approximately $1,288,000.”

“The project will be completed in two phases:

The first phase of the project will consist of a conversion of 7 residential care rooms to nursing rooms. The rooms were originally part of the nursing facility but were converted to residential care several years ago. Accordingly, these rooms will require very minor renovations and are contiguous with the nursing facility rooms. This phase will convert 13 residential care beds to 13 nursing beds. It is expected this phase of the project will be completed by July 1, 2014.”

“The second phase of the project will include approximately 6,300 square feet of new construction that will be primarily semi-private rooms, storage and common area that will accommodate the additional 12 nursing beds. Resident rooms in the existing nursing facility will be used for private and semi-private rooms, storage and office areas. The existing facility will be renovated and upgraded to accommodate these changes. In addition, there will be several capital needs addressed within this phase of the project. The facility has expanded several times over the past 20 years and needs various infrastructure improvements. This phase will also include certain upgrades to resident room furnishings and fixtures. This phase is expected to be completed by November 1, 2014.”

“The project will allow the facility to provide additional private rooms to residents that desire or require a private room as a limited number of private rooms and a healthy census has created a short supply of these rooms.”

“The section of the facility that we will convert to nursing rooms will be used as a separate unit for residents with Alzheimer’s and other dementias. This area will serve as a transitional unit between our residential care and nursing units for those residents with Alzheimer’s and dementia that are more ambulatory. This unit will focus on activities and programing that will better meet the needs of this population.”

“A copy of the existing floor plan is at Exhibit I, and a copy of the proposed floor plan after renovations are completed is at Exhibit II. A detail list of construction costs and furniture and equipment totaling approximately $1,288,000 are attached at Exhibit III. The expansion proposed in Phase II is expected to be in compliance with all zoning regulations. See copy of correspondence from the Town of Houlton to that effect at Exhibit IV.”

“The project will require financing. We have been in discussions with Machias Savings Bank and have received a verbal commitment that they will finance the project at 5.25% for twenty years with three five year renewals subject to CON approval.”

“Finally, in August 2013, MGNH purchased the revenue stream associated with Houlton Regional Hospital’s 28-bed skilled nursing unit which it will use to achieve MaineCare neutrality for the project.”

**CONU Comment:**

On April 23, 2014 the applicant requested an amendment to the original CON application. This revision would remove the conversion of RCF beds to NF beds. This amendment requests the addition of 13 new SNF/NF beds. The revised project increases the facility’s existing licensure from 86 SNF/NF beds and 47 RCF beds to 99 SNF/NF beds and 47 RCF beds. The applicant submitted a revised pro forma cost report with revised assumptions relating to this project. In addition the applicant submitted a revised calculation of MaineCare Neutrality.

# II. Fit, Willing and Able

**A. From Applicant**

“Management Team”

“MGNH has been in operations and owned/managed by Brenda Brown since 1972. Ms. Brown is a registered nurse and a multi-level nursing home administrator. Her children, Jim Brown and Debbie Fitzpatrick, are also multi-level nursing home administrators and actively participate in the daily operations and are involved as senior management of the facility. Jim is the Business Manager and has a BS in Business Administration and Debbie is the Director of Social Services and Admissions and is a Licensed Social Worker with a BS in Social Work. Jim and Debbie have held various positions within the facility throughout their careers of over 20 years. Below is a complete list of related entities which are operated by Brenda or a family member:

**Maple Grove Nursing Home, Inc. Aroostook County Action Program**

**93 Military Street** **(ACAP)**

**Houlton, Maine** **93 Military Street**

*Brenda Brown 40%* **Houlton, Maine**

*James Brown 30% Brenda Brown 100%*

*Debbie Fitzpatrick 30%*

**Madigan Home Health Care Greenland Cove Campground**

**93 Military Street**  **123 Kneser Lane**

**Houlton, Maine** **Danforth, Maine**

*Brenda Brown 100% Brenda Brown 100%*

**Lee Apartments Brown Development, LLC**

**93 Military Street 68 Bangor Street**

**Houlton, Maine**

**Houlton, Maine**

*Brenda Brown 100% James Brown 100%”*

“Medicare Compare Rating Under Five Star System”

“Quality is important to us and our residents. MGNH has maintained an excellent reputation within the community and has provided excellent quality care to its residents. The facility is rated by the Centers for Medicare and Medicaid Services’ (CMS’) Five Star Rating system as receiving 5 stars for overall care as shown below:

**CMS Star Rating Summary**

**Overall Rating**  Much Above Average

**Health Inspection  Average**

**Staffing  Above Average**

**Quality Measures**  Much Above Average”

“For health inspection ratings, the facility received a mid-range score of 3 (see Recent DHHS Survey Results for further information regarding deficiencies identified and management’s Plan of Correction).The total number of deficiencies identified during the most recent survey was 3 compared to the State average of 4 and the national average of 6.8.”

“Recent DHHS Survey Results”

“The Department of Licensing and Regulation Services conducted an annual Quality Indicator Survey for Federal Recertification on November 11, 2013.”

“There were two areas that were cited as deficiencies during the survey:

The surveyors found that two dumpsters located outside of the facility needed to be emptied and that several bags of garbage were on top and around the dumpsters. The maintenance department has been instructed to maintain the area around the dumpsters and ensure that the trash is properly stored. The Administrator will monitor weekly for compliance.”

“The surveyors also found isolated incidences where medications such as ear wax drops, Refresh eye drops and other vitamins had expired in the facility. All medications have been reviewed for expiration and staff has been educated to ensure that this deficient practice does not occur again.”

“The deficiencies have been addressed and MGNH achieved compliance on its February 19, 2014 follow-up visit.”

“In addition, MGNH provides a continuum of care to meet the needs of its aging population. We provide the following services through our various on campus entities: adult day care, residential care, NF/SNF care, independent living apartments, rehabilitation services, skilled home care and a variety of housing options for the elderly and disabled.”

“The management team has had significant experience with design, construction and management of similar projects as the facility has undergone several additions over the years.”

“We believe there is sufficient evidence to support our ability to meet licensure, Medicare and Medicaid certification requirements.”

**B. Certificate of Need Unit Discussion**

1. **CON Standards**

Relevant standards for inclusion in this section are specific to the determination that the applicant is fit, willing and able to provide the proposed services at the proper standard of care as demonstrated by, among other factors, whether the quality of any health care provided in the past by the applicant or a related party under the applicant's control meets industry standards.

1. **CON Unit Analysis**

Maple Grove Nursing Home, Inc. (MGNH) is licensed for 86 NF/SNF beds and 47 Level IV Residential Care beds. The facility is located at 93 Military Street in Houlton, Maine. The administrator is Brenda Brown. The license was issued on July 1, 2013 and is valid from July 1, 2013 through June 30, 2014.

The applicant provided a summary of MGNF last completed survey data. CONU verified this survey data utilizing the Medicare.gov website and DLRS files. This survey revealed the following ratings:

|  |
| --- |
| **Maple Grove Nursing Home, Inc.** |
| **Nursing Home Compare Ratings** |
| **Category** | **Ratings** |
| Overall | Much Above Average |
| Health Inspections | Average |
| Staffing | Above Average |
| Quality Ratings | Much Above Average |

MGNH scored “Average” or above in all four categories rated by CMS with an overall rating of “Much Above Average”. The last recertification survey was conducted on 111/20/2013. The result of the survey was the identification of two deficiencies. Both deficiencies were Level 2 (minimal harm or potential for actual harm). The average number of health deficiencies identified during a recertification survey in Maine is 4.3 and the average number of health deficiencies in the United States is 6.8.

Inspectors determined that the nursing home failed to:

**1)** Ensure that garbage and refuse were disposed of in a manner to prevent pest infestation for 3 out of 3 survey days for 2 out of 3 dumpsters.

**2)** Ensure that expired medications were removed from use on 2 out of 2 medication carts and from 1 of 1 medication storage rooms.

All deficiencies were corrected by 11/21/2013.

On December 23, 2013 a complaint survey was conducted and inspectors determined that the nursing home failed to:

**1)** Ensure staff notified a legal guardian of changes in medications and treatments for 2 out of 5 residents.

This deficiency was corrected on 1/22/2014.

Survey data for this facility can be accessed at Medicare.gov or at DHHS DLRS and is on file at CONU.

The commissioner can rely on data available to the department regarding the quality of health care provided by the applicant as allowed at M.R.S. 22 §337(3).

**Deeming of Standard**

As provided for at 22 M.R.S. § 335 (7)(A), if the applicant is a provider of health care services that are substantially similar to those services being reviewed and is licensed in the State, the requirements of this paragraph are deemed to have been met if the services previously provided in the State by the applicant are consistent with applicable licensing and certification standards.

MGNH has been under the ownership of the Brown family since 1972 and has been a provider of both SNF/NF beds and Level IV Residential Care beds for decades. The services provided by the applicant are consistent with applicable licensing and certification standards.

**CONU Comment:**

No additional analysis is required for the Fit, Willing and Able standard as a result of the revised project.

1. **Conclusion**

The Certificate of Need Unit recommends that the Commissioner find that the applicant is fit, willing and able to provide the proposed services at the proper standard of care as demonstrated by, among other factors, whether the quality of any health care provided in the past by the applicant or a related party under the applicant’s control meets industry standards.

# III. Economic Feasibility

**A. From Applicant**

“Relevant criteria for inclusion in this section are specific to the determination that the economic feasibility of the proposed services is demonstrated in terms of the:

1. Capacity of the applicant to support the project financially over its useful life, in light of the rates the applicant expects to be able to charge for the services to be provided by the project; and
2. The applicant’s ability to establish and operate the project in accordance with existing and reasonably anticipated future changes in federal, state and local licensure and other applicable or potentially applicable rules.”

“Historically, MGNH has been at the forefront of providing quality services to the elderly and disabled in our community - continually evolving over the years to create a continuum of care for our residents in a cost effective manner. The following table provides a summary of MGNH’s 2011 and 2012 income statements which were excerpted from the reviewed financial statements.”

|  |  |  |
| --- | --- | --- |
|  | 2011 | 2012 |
|  |  |  |
| “Total operating income |  $ 7,539,344 |  $ 7,950,700 |
|  |  |  |
| Operating expenses |  |  |
|  Nursing services |  3,506,149 |  3,733,817 |
|  Recreation and social services |  316,614 |  348,406 |
|  Dietary |  664,490 |  685,068 |
|  Laundry |  102,266 |  95,568 |
|  Housekeeping |  191,336 |  230,838 |
|  Plant operations and maintenance |  511,521 |  502,423 |
|  Administration |  1,893,588 |  1,992,186 |
|  Depreciation and amortization |  263,184 |  257,697 |
|  Interest expense |  73,749 |  79,617 |
|  |  |  |
|  Total operating expenses |  7,522,897 |  7,925,620 |
|  |  |  |
|  Operating income |  $ 16,447 |  $ 25,080 |

Note: The 2011 and 2012 financial statements were reviewed by BerryDunn with their reports dated August 6, 2012 and May 15, 2013, respectively. (See Exhibits V and VI)”

“We have prepared proforma cost reports for Phase I (2014) and Phase II (2015), the first full year of operations, (see Exhibits VII and VIII) to facilitate the establishment of rates for the facility and calculation of MaineCare neutrality.”

“Significant assumptions for operations are as follows with a complete list of assumptions for both Phase I and Phase II included at Exhibits IX and X, respectively.”

“The proforma cost reports assume an occupancy percentage (95%) and payor mix consistent with 2012 (see Exhibit XI for a copy of the 2012 “as filed” MaineCare cost report).”

“Total facility MaineCare census is projected to be approximately 71%. Given the current economic environment and State of Maine budget challenges, we anticipate no increases in MaineCare rates during Years 2 and 3. Therefore, the financial projections include no inflationary increases in MaineCare rates during Years 2 and 3 of operations.”

“We are projecting our operating expenses to increase approximately 2.3% in Years 2 and 3, excluding fixed costs which are anticipated to remain relatively consistent with Year 1. A summary of all staffing, hours, rates and related benefits are included in Exhibits VII and VIII.”

“The additional revenue generated from the conversion and additional beds is anticipated to be approximately $1,756,000, and is based on rates in effect subsequent to Medicare sequestration implemented April 1, 2013, the proforma cost report rates for MaineCare and existing rates for commercial payors and private payors. We do not anticipate any significant changes in rates due to sequestration and/or flat funding in Years 2 and 3. Additional costs are projected to be approximately $1,300,000.”

“MGNH will continue to operate a 34-bed PNMI Appendix C residential care unit. Although the proposed new model DHHS has set forth for this program includes significant administrative and payment changes for the program, we do not anticipate the changes will have a significant financial impact on the financial operations of the facility. We have not included any assumptions relative to the current proposed changes to this program within the financial projections.”

“MGNH has obtained a verbal commitment from Machias Savings Bank to finance the proposed project subject to CON approval. The proforma cost reports were prepared assuming 100% financing of construction costs.”

“The increased reimbursement rates in Year 1, as a result of the conversion and additional beds, will allow us to better align our payment with our costs while achieving neutrality (see Exhibit XII for MaineCare neutrality analysis).”

“In summary, the overall projected increases in revenue will adequately cover the additional costs in Year 1 and subsequent years.”

**B. Certificate of Need Unit Discussion**

1. **CON Standards**

Relevant standards for inclusion in this section are specific to the determination that the economic feasibility of the proposed services is demonstrated in terms of the:

* Capacity of the applicant to support the project financially over its useful life, in light of the rates the applicant expects to be able to charge for the services to be provided by the project; and
* The applicant's ability to establish and operate the project in accordance with existing and reasonably anticipated future changes in federal, state and local licensure and other applicable or potentially applicable rules.
1. **CON Unit Analysis**

**Financial Feasibility and Staffing**

The applicant provided a pro-forma cost report that represents the change in the provided service level. The applicant is proposing to convert thirteen residential care beds to thirteen SNF/NF beds and add an additional twelve SNF/NF beds. The pro-forma cost report includes the applicants projections of increased staffing levels required to perform the services required by the occupants of the additional SNF/NF beds. CONU reviewed the underlying assumptions used in the preparation of this cost report regarding financing, construction budgets, depreciation/amortization expense and projected payor mix and found them reasonable. Future reimbursement will ultimately be determined by DHHS Rate Setting and DHHS Audit. The increase in SNF/NF care as well as the analysis of need located in Section IV of this analysis supports the applicants’ assertion that this project is financially feasible and will maintain the financial stability of this facility.

**MaineCare Neutrality**

This project is subject to MaineCare neutrality. MaineCare neutrality is computed by comparing the utilization of MaineCare resources between Maple Groves current 86 bed NF/SNF and 47 bed RCF bed capacity and the proposed 111 SNF/NF bed and 34 bed RCF capacity. The current calculated MaineCare utilization for SNF/NF is $4,780,226 and the RCF is $1,874,673 for a total utilization of $6,654,899. The proposed calculated MaineCare utilization is $6,592,054 for SNF/NF and $1,429,831 for RCF for a total utilization of $8,021,884. This increase in MaineCare utilization is $1,366,986 which is based on 95% occupancy.

The resources available for the project are listed in Table 1: Sources and Uses of MaineCare Funding. The applicant identified two sources of revenue for offsetting the project’s annual expenses.

**Table 1: Sources and Uses of MaineCare Funding:**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Source** | **Facility** | **# of Beds** | **$ Value** | **Allocated Beds** | **$ value** |
|  | The Houlton Reg. | 28 | $844,800  | 28 | $844,800  |
|  | Prog. Care Fac. |  |   |  |   |
|  | Total | 28 | $844,800  | 28 | $844,800  |
|  |   |  |   |  |   |
| **Use** | **Madigan SNF/NF** | **25** | **$1,366,986**  | **25** | **$1,366,986**  |
| **Additional Resources Required** |   |  | ($522,186) |  | ($522,186) |

The chart indicates that the revenue stream from 28 beds would only partially offset the potential costs of the 25 new SNF/NF beds. The value of the revenue stream is $844,800. The expected costs to the MaineCare program are calculated to be $1,366,986. An additional $522,186 in resources would be required to achieve MaineCare neutrality.

**Changing Laws and Regulations**

Certificate of Need Unit staff is not aware of any imminent or proposed changes in laws and regulations that would impact the project, except for federal health care reform as part of the Affordable Care act (ACA). The impact of health reform as part of the ACA has not been determined.

**Deeming of Standard**

As provided for at 22 M.R.S. § 335 (7)(B), if the applicant is a provider of health care services that are substantially similar to those services being reviewed and is licensed in the State, the applicant is deemed to have fulfilled the requirements of this standard if the services provided in the State by the applicant during the most recent 3-year period are of similar size and scope and are consistent with the applicable licensing and certification standards.

The applicant has operated a mixed level of care facility with a total of 133 beds (86 SNF/NF and 47 RCF). If this application were to be approved the applicant would be operating a mixed level of care facility with 145 beds (111 SNF/NF and 34 RCF). The operations are of a similar size and scope. Schedule L of the applicants pro forma cost report demonstrates the need for additional nursing staff to handle the increase in the SNF/NF census.

**CONU Comment:**

The revised information provided by the applicant changes the results of the MaineCare neutrality calculation as follows:

**Table 1: Sources and Uses of MaineCare Funding:**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Source** | **Facility** | **# of Beds** | **$ Value** | **Allocated Beds** | **$ value** |
|  | The Houlton Reg. | 28 | $844,800  | 28 | $844,800  |
|  | Prog. Care Fac. |  |   |  |   |
|  | Total | 28 | $844,800  | 28 | $844,800  |
|  |   |  |   |  |   |
| **Use** | **Madigan SNF/NF** | **13** | **$815,232**  | **13** | **$815,232**  |
| **Additional Savings** |   |  | $29,568 |  | $29,568 |

The above table shows that the additional resources purchased from The Houlton Reg. Prog. Care Facility are sufficient to offset the additional expense of adding 13 additional SNF/NF beds.

MaineCare neutrality has been achieved.

1. **Conclusion**

Certificate of Need Unit staff recommend that the Commissioner determine that the applicant has met their burden to demonstrate: (1) the capacity of the applicant to support the project financially over its useful life, in light of the rates the applicant expects to be able to charge for the services to be provided by the project; and (2) the applicant's ability to establish and operate the project in accordance with existing and reasonably anticipated future changes in federal, state and local licensure and other applicable or potentially applicable rules.

# IV. Public Need

**A. From Applicant**

“The facility has been successful since opening at our present location in 1978 and has expanded at least seven times due to demand for services. The facility overall census has consistently been greater than 93% with a health y percentage of private pay and skilled residents.”

“The following table provides a history of the facility’s payor mix and occupancy percentages compared to averages for Region 4 for 2010-2012:

|  | 2010 | 2011 | 2012 |
| --- | --- | --- | --- |
|  | MGNH | Region 4 | MGNH | Region 4 | MGNH | Region 4 |
|  |  |  |  |  |  |  |
| NF - MCD |  69% |  79% |  64% |  78% |  66% |  77% |
| NF - MCR |  7 |  10 |  10 |  10 |  12 |  11 |
| NF - Other |  24 |  11 |  26 |  12 |  22 |  12 |
|  |  |  |  |  |  |  |
|  Total |  100% |  100% |  100% |  100% |  100% |  100% |
|  |  |  |  |  |  |  |
| Occupancy |  98% |  93% |  94% |  92% |  95% |  92% |
|  |  |  |  |  |  |  |
| RCF - MCD |  87% |  90% |  87% |  91% |  89% |  91% |
| RCF - Other |  13 |  10 |  13 |  9 |  11 |  9 |
|  |  |  |  |  |  |  |
|  Total |  100% |  100% |  100% |  100% |  100% |  100% |
|  |  |  |  |  |  |  |
| Occupancy |  98% |  98% |  92% |  96% |  96% |  97% |
|  |  |  |  |  |  |  |

“Sources: 2010, 2011 and 2012 as filed cost reports were utilized for occupancy and payor mix percentages. BerryDunn’s database which is a compilation of all non-hospital-based as filed cost reports was utilized for Region 3 averages.”

“As evidenced in the table above, MGNH is meeting a need in the community as well as in the region it services. Occupancy rates for 2010, 2011 and 2012 exceeded regional averages and MaineCare utilizations has historically been and is projected to continue to be lower than the regional average due to the community MGNH serves. Current 2013 occupancy continues to remain consistent with 2012 as the NF and RCF units are at 96%. and the RCF unit at 93%. We expect both occupancy and payor mix to remain consistent with historical levels or increase as the population in the surrounding communities continues to age.”

“The increase in SNF/NF beds will have a positive impact on the health status indicators of the population to be served. The facility will continue to provide individualized care and increase our specialized rehabilitation services, which include physical therapy, occupational therapy, speech therapy and podiatry services.”

“The services affected by the project will be accessible to all residents in the area. The facility will continue to follow non-discrimination practices for admission and employment.”

“The facility has a waiting list that has expanded since the closure of the SNF/NF beds at Houlton Regional Hospital. The closure of these beds has caused a shortage of services in the area. It also has caused a backlog of patients in the residential care setting that should be more appropriately placed in a nursing facility.”

“During the period of June 1, 2013 thru January 31, 2014, there were 160 referrals to MGNH, in which 73 were admitted. There were 49 admissions with a therapy diagnosis and the remainder of them with various diagnoses such as diabetes, CVA’s and dementia. The majority of the admissions were residents from the greater Houlton area.”

“The remaining referrals during the period were not admitted principally due to availability of beds. The majority of our referrals are from Houlton Regional Hospital or Eastern Maine Medical Center.”

“The combined loss of 3 SNF/NF and 13 RCF beds in the area and historically high census for the NF providers in our service area (see Occupancy Table under Section IV. Public Need) indicates that there is a definite need for services. Currently, 6-8 residents in our RCF would qualify for NF level of care.”

“The project will also enhance our rehabilitation program which will benefit our patients and aid in their recovery and discharge to home. This project will create additional therapy treatment areas and add additional therapy equipment which will improve outcomes for the residents. The treatment space will also provide a more confidential and convenient area for the therapists to provide care. We have developed and added to our therapy staffing over the past several years due to our increased SNF census. This project will provide additional space for our staff to meet our residents’ needs.”

“This shortage of nursing facility beds has also created difficulty at the acute level as there is not always an opportunity for discharge to a lower level of care. This adds cost to the care of the residents since it is a more expensive setting.”

“The additional demand for SNF/NF beds continues to increase as Maine’s population continues to age. The rural nature of Aroostook County and the minimal amount of other available services will clearly support the need for SNF/NF beds.”

“Aroostook County is projected to have a significant increase in population in the age group that typically utilizes SNF/NF services. The out migration of the working age population will also stress the abilities of community based services to serve the needs of this population, this is due in part to the very rural nature of the county and the distance that care givers are needed to travel to serve the client. It is expected that between 2012 and 2022 the age group 65+ will increase in Aroostook County by 4,393 people (See Figure 2-3).”



“The aging population is also requiring more intensive services as evidenced by Figure 10-1 that presents the constant increase in case-mix levels. The continued pressure to provide care in the least costly setting has increased the acuity of residents in the nursing home setting and also residential care. The transition of rural hospitals to critical access status has also put more pressure on nursing facilities to accept more advanced care patients.”



**B. Certificate of Need Unit Discussion**

1. **CON Standards**

Relevant standards for inclusion in this section are specific to the determination there is a public need for the proposed services as demonstrated by certain factors, including, but not limited to:

* Whether, and the extent to which, the project will substantially address specific health problems as measured by health needs in the area to be served by the project;
* Whether the project will have a positive impact on the health status indicators of the population to be served;
* Whether the services affected by the project will be accessible to all residents of the area proposed to be served; and
* Whether the project will provide demonstrable improvements in quality and outcome measures applicable to the services proposed in the project.
1. **CON Unit Analysis**

In order to determine public need, CONU analyzed demographic and service use trends in MGNH service area (Aroostook County, Maine). CONU utilized the Older Adults with Physical Disabilities: Population and Service Use Trends in Maine, 2012 Edition, prepared by the Muskie School of Public Service and the U.S. Census Bureau’s website located at <http://quickfacts.census.gov>.

Aroostook County Maine is the largest county east of the Mississippi and is larger than Connecticut and Rhode Island combined. The population is 71,757 with 13,712 people (or over 19%) of the population in the 65 or over age group. This population is the primary consumer of nursing and residential care services. The breakdown of this population by age group and projected growth is contained in the following table:

|  |  |  |  |
| --- | --- | --- | --- |
| **Aroostook County Age Group** | **2012 Current Population** | **Rate of Growth** | **2022 Projected Population** |
| Age 85+ | 1588 | 4% | 1652 |
| Age 75 – 84  | 4805 | 29% | 6198 |
| Age 65 – 74 | 7319 | 38% | 10,101 |
| **Total** | **13,712** |  | **17,950** |

This rate of growth coincides with the State of Maine as a whole where the 65 and over population continues to grow at a rate faster than New England and the United States as a whole. Statewide nursing home utilization declined between 2000 and 2008 but leveled off in 2010. Utilization of residential care facilities grew 30% between 2000 and 2010 before declining slightly in 2010. The average statewide percentages of the 65+ population utilizing SNF/NF and RCF services are as follows:

|  |  |  |
| --- | --- | --- |
| **Age Group** | **% of age group needing SNF/NF care** | **% of age group needing RCF care** |
| Age 85+ | 11.50% | 6.30% |
| Age 75 – 84  | 3.60% | 1.80% |
| Age 65 – 74  | 0.80% | 0.50% |

With the projected increase in the 65+ population it is likely that additional SNF/NF and RCF services will be required over the next ten years. Adding additional SNF/NF and RCF beds would substantially address specific health problems associated with an aging population requiring more intensive care. Aroostook County had 46 NF beds and 25 RCF beds per 1,000 person’s age 65-and-above in 2010 as compared to the Statewide average of 33 NF beds and 20 RCF beds per 1,000 persons age 65 and above. Although the available beds in Aroostook County exceeds the State average the applicant provided 2010 through 2012 occupancy data for both MGNH and Aroostook County SNF/NF and RCF’s. MGNH had an average 2010 – 2012 SNF/SNF occupancy of 95.66% and a RCF occupancy of 92.33%. During the same time period the Aroostook County SNF/NF occupancy was 92.33% and the RCF occupancy was 97%. The applicant states that MGNH’ waiting list has expanded since the closure of 28 SNF/NF beds at Houlton Regional. For the 8 month period ending January 31, 2014 there were 160 referrals to MGNH and there were 73 admissions. The remaining referrals were not admitted mainly due to a lack of beds. CONU expanded the applicants’ analysis to provide the names, locations, mileage from applicant, number of licensed beds and most

recent occupancy data for SNF/NF’s and RCF facilities in Aroostook County.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | **Mileage** |  |  | **AVG NF/SNF** | **AVG RCF** |
| **Facility** | **Location** | **from applicant** | **NF Beds** | **RCF Beds** | **Occupancy** | **Occupancy** |
| Borderview  | Van Buren | 77 | 55 | 53 | 92.73% | 90.57% |
| Caribou | Caribou | 54 | 61 | 0 | 98.36% | 0.00% |
| Forest Hill | Fort Kent | 98 | 45 | 0 | 97.78% | 0.00% |
| Gardiner | Houlton | 0 | 45 | 10 | 95.56% | 100.00% |
| High View | Madawaska | 102 | 51 | 0 | 100.00% | 0.00% |
| Madigan | Houlton | 0 | 86 | 47 | 95.35% | 87.23% |
| MVH - Caribou | Caribou | 54 | 40 | 30 | 95.00% | 100.00% |
| Mercy  | Eagle Lake | 92 | 40 | 10 | 95.00% | 110.00% |
| Presque Isle | Presque Isle | 42 | 67 | 0 | 98.51% | 0.00% |
| St. Joseph | Frenchville | 61 | 43 | 0 | 100.00% | 0.00% |
| TAMC -AHC | Mars Hill | 28 | 72 | 0 | 80.56% | 0.00% |
| Crestview  | Houlton | 0 | 0 | 20 | 0.00% | 105.00% |
| Crosswinds | Fort Kent | 98 | 0 | 45 | 0.00% | 97.78% |
| Country Village | Madawaska | 102 | 0 | 27 | 0.00% | 96.30% |
| Limestone Manor | Limestone | 57 | 0 | 40 | 0.00% | 85.00% |
| Ridgewood Estates | Madawaska | 102 | 0 | 43 | 0.00% | 100.00% |
| Southern Acres | Westfield | 33 | 0 | 30 | 0.00% | 90.00% |
| **TOTAL** |   |   | **605** | **355** | **95.35%** | **96.53%** |

In the Economic Feasibility section of our analysis we showed that the project, as proposed, does not achieve MaineCare neutrality. Additional resources of $522,186 are required. As shown in the table above TAMC-AHC has an occupancy rate of 80.56% for SNF/NF beds. A review of almost two years of occupancy data shows that the average occupancy rate at TAMC-AHC is approximately 79%. In addition, although Houlton Regional closed it’s 28 SNF/NF bed nursing unit the hospital has received a swing bed designation which allows it to use its beds, as needed, to provide either acute or SNF care. Due to the availability of SNF/NF beds in close proximity (within 30 miles) to Houlton we recommend that the applicant downsize the requested new SNF/NF beds until neutrality is achieved.

This proposal also requests that 13 RCF beds be converted to SNF/NF beds. An analysis of facilities within a 30 mile radius of Houlton reveals that both Crestview and Gardiner currently have occupancy rates of over 100%. For 2013 Crestview averaged 104% occupancy while Gardiner averaged 93% occupancy. The applicant states that Madigan averaged over 92% occupancy during this time period. This analysis shows that RCF services in close proximity (within 30 miles) to Houlton are equally vital. By reducing the requested number of SNF/NF beds and reducing the projected additional staffing required for SNF/NF beds some of the necessary RCF beds can be retained.

Maintaining and enhancing needed SNF/NF and Residential Care services will have a positive impact on the health status indicators of the population to be served. This facility enables residents to remain close to home and family while receiving services. The facility will continue to provide individualized care and specialized rehabilitation services which include podiatry services, occupational therapy, speech therapy and physical therapy.

The services affected by the project will be accessible to all residents in the area.

MGNH plans to continue to enhance its rehabilitation program which will benefit patients by speeding their recovery and eventual discharge to home or community based services which are far less expensive than long-term care.

**CONU Comment:**

The applicant revised project has addressed previous CONU concerns. Leaving the existing 47 bed RCF capacity in place at Madigan estates will ensure that necessary RCF services in the Houlton area will remain in place. The addition of only 13 SNF/NF beds ensures MaineCare neutrality while meeting current demand for SNF/NF services.

1. **Conclusion**

The Certificate of Need Unit recommends that the Commissioner find that the applicant has met their burden to show that there is a public need for the proposed project.

# V. Orderly and Economic Development

**A. From Applicant**

“Relevant criteria for inclusion in this section are specific to the determination that the proposed services are consistent with the orderly and economic development of health facilities and health resources for the State as demonstrated by:

1. The impact of the project on total health care expenditures after taking into account, to the extent practical, both the costs and benefits of the project and the competing demands in the local service area and statewide for available resources for health care.
2. The availability of state funds to cover any increase in state costs associated with utilization of the project’s services; and
3. The likelihood that more effective, more accessible or less costly alternative technologies or methods of service delivery may become available.”

“In overview, the proposed project of MGNH is consistent with the orderly and economic development of health facilities and health resources for the State because it will continue needed services that have historically been provided over the past 40 years. The project likewise fulfills the MaineCare neutrality requirement.”

“The facility has serviced its community effectively for many years. MGNH is committed to building on this long record of service with updated programs and proven systems. In addition, it is highly unlikely that a more effective, more accessible or less costly alternative technologies or methods or services delivery may become available as MGNH is already very well established within the community. In fact, the continuation of nursing and residential services in central Aroostook County is vital to the community and the population being served.”

“The proposed project will result in the rebasing of the facility’s MaineCare rates and additional depreciation and interest expense. We have provided and attached a proforma cost report included at Exhibit VIII for the first full year of operations following completion of the proposed project. The report has been prepared consistent with the Principles of Reimbursement and is based on the rate letters currently in effect. The estimated increase cost to the State of Maine is $811,000.”

“Despite this increase in reimbursement dollars, the project will achieve MaineCare neutrality through the use of the revenue stream associated with the purchase of Houlton Regional Hospital’s 28-bed skilled nursing unit (see Exhibit XII for MaineCare neutrality analysis).”

“Gardiner Health Care Facility, which is located in Houlton, also has a higher than average census, therefore there should be no impact to that facility.”

“Crestview Manor, which is also located in Houlton, could potentially see an increase in occupancy due to the loss of the 13 RCF beds at MGNH.”

“See Exhibit XIII for copies of letters from community leaders and medical staff as evidence of quality services offered by the facility and support for the project.”

“This project will require an additional 12-15 FTE employees to staff this expansion of the facility. The facility has numerous applications for RN’s and CNA’s that will be needed to provide care to the residents. The facility conducts a CNA training program that is held at least annually to support the facility’s needs. The staffing in the RCF that will be displaced due to the conversion could also be trained as CNA’s to meet the needs of the facility.”

**B. Certificate of Need Unit Discussion**

1. **CON Standards**

Relevant standards for inclusion in this section are specific to the determination that the proposed services are consistent with the orderly and economic development of health facilities and health resources for the State as demonstrated by:

* The impact of the project on total health care expenditures after taking into account, to the extent practical, both the costs and benefits of the project and the competing demands in the local service area and statewide for available resources for health care;
* The availability of state funds to cover any increase in state costs associated with utilization of the project's services; and
* The likelihood that more effective, more accessible or less costly alternative technologies or methods of service delivery may become available
1. **CON Unit Analysis**

The decision to increase MGNH SNF/NF capacity from 86 to 111 beds would address a demonstrated need for additional SNF/NF beds in the Houlton area. Unfortunately this benefit would be offset by a reduction in necessary RCF beds in the area by reducing MGNH census from 47 to 34.

The increased operating costs associated with the 25 additional SNF/NF beds would only be partially offset by the MaineCare revenue stream associated with the 28 Houlton Regional SNF/NF beds. Total health care expenditures would increase by of $522,186. There are no State funds to cover any increased costs therefore MaineCare neutrality needs to be achieved.

A less costly alternative would be to add fewer SNF/NF beds which would require less intensive staffing while retaining some necessary RCF beds. There is additional SNF/NF capacity in the Houlton area at TAMC-AHC and Houlton Regional has licensed swing beds which can be used to provide either acute or SNF care.

**CONU Comment:**

The revised project which adds only 13 SNF/NF beds achieves MaineCare neutrality, thus eliminating the need for additional State funding. Necessary RCF services in the Houlton area will remain in place because the current 47 bed RCF licensed capacity will remain unchanged.

**III. Conclusion**

The Certificate of Need Unit recommends that the Commissioner find that the applicant has met its burden to demonstrate that the proposed project is consistent with the orderly and economic development of health facilities and health resources for the State.

# VI. Outcomes and Community Impact

**A. From Applicant**

“Relevant criteria for inclusion in this section are specific to the determination that the project ensures high-quality outcomes and does not negatively affect the quality of care delivered by existing service providers.”

“This project was developed in response to the reduction of SNF/NF beds at Houlton Regional Hospital (HRH). During 2013, HRH began a self-imposed reduction in utilization of their SNF/NF beds to ensure that on October 1, 2013 all patients would be appropriately placed and the unit could be closed. During the FY 2012, HRH had approximately 6,935 patient days in the SNF unit. This need is not being met at this time. Patients are being forced to accept placement at other facilities greater than 30 miles away from home or they remain in a more costly setting.”

“The majority of our waiting list is from the Greater Houlton area. Our waiting list is very fluid and changes daily. We can typically fill a bed via contacting referring hospitals to make them aware that we have available beds.”

“This project will enhance our rehabilitation program which will provide our patients with a faster recovery time. This care will be less costly to the MaineCare program due to services being provided under the residents’ Medicare benefits and also that Madigan Estates is one of the *lowest cost providers of MaineCare NF services.”*

“We have a QA program which identifies and addresses quality issues, and implements corrective action plans as necessary. The QA committee meets quarterly to monitor the quality of services and to identify any problems or deficiencies.”

“The primary goals of the Quality Assessment and Assurance Committee are:

1. To monitor and evaluate the appropriateness and quality of care provided within the framework of the Quality Assessment and Assurance Plan.
2. To provide a means whereby negative outcomes relative to resident care can be identified and resolved through an interdisciplinary approach, and positive outcomes can be reinforced through education and monitoring.”

“This practice will continue to ensure that this project will not have any negative impact on the current level of the quality care we are providing.”

“Approval of this project will not negatively affect the quality of care delivered by existing service providers. As previously discussed, MGNH has demonstrated a strong track record of quality of care and positive outcomes. There will be no significant changes in services offered by MGNH as a result of this project.”

**B. Certificate of Need Unit Discussion**

1. **CON Standards**

Relevant standards for inclusion in this section are specific to the determination that the project ensures high-quality outcomes and does not negatively affect the quality of care delivered by existing service providers.

1. **CON Unit Analysis**

The addition of 25 nursing home beds and reduction in RCF beds in the Aroostook County area will have a minimal effect on the quality of care delivered by existing service providers. Seniors needing SNF/NF care will have a greater likelihood of finding the services offered in the area where they reside.

This proposal addresses the lack of available nursing home beds in the area. MGNH focus will be on rehabilitation with the goal of returning the patient to their homes and/or to community-based services rather than placing residents permanently in a more costly long term care nursing bed. This reintroduction of a patient into the at-large community is consistent with the goals of the department and national trends of extending home-based services

**CONU Comment:**

No additional analysis is needed for the Outcome and Community Impact standard of this as a result of the revised project. The addition of only 13 SNF/NF beds to the area instead of the original 25 will further minimize any impact on other service providers while still addressing the need for additional SNF/NF beds in the area. Existing RCF services will remain in place.

1. **Conclusion**

Certificate of Need Unit recommends that the Commissioner find that the applicant has met their burden to demonstrate that this project will ensure high-quality outcomes and does not negatively affect the quality of care delivered by existing service providers.

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# VII. Service Utilization

**A. From Applicant**

“Relevant criteria for inclusion in this section are specific to the determination that the project does not result in inappropriate increases in service utilization, according to the principles of evidence-based medicine adopted by the Maine Quality Forum.”

“There will be no significant changes in the services offered by MGNH as a result of the proposed project. Historical census data was provided in Section IV. Public Need. We anticipate census and utilization to increase as current market conditions described in Section IV. Public Need and the population in the surrounding communities continue to age.”

**B. Certificate of Need Unit Discussion**

1. **CON Standards**

Relevant standards for inclusion in this section are specific to the determination that the project does not result in inappropriate increases in service utilization, according to the principles of evidence-based medicine adopted by the Maine Quality Forum as established in Title 24-A, section 6951, when the principles adopted by the Maine Quality Forum are directly applicable to the application.

1. **CON Unit Analysis**

The Maine Quality Forum has not adopted any principles of evidence-based medicine directly applicable to the application; therefore this application meets the standard for this determination.

**CONU Comment:**

No additional analysis is needed as a result of the revised project. This project is being undertaken as a result of demonstrated need for SNF/NF services and will not unnecessarily increase utilization.

1. **Conclusion**

Certificate of Need Unit recommends that the Commissioner find that the applicant has met their burden to demonstrate that the project does not result in inappropriate increases in service utilization, according to the principles of evidence-based medicine adopted by the Maine Quality Forum.

# VIII. MaineCare Funding Pool and MaineCare Neutrality

**A. From Applicant**

“Finally, in August 2013, MGNH purchased the revenue stream associated with Houlton Regional Hospital’s 28-bed skilled nursing unit which it will use to achieve MaineCare neutrality for the project.”

**B. Certificate of Need Unit Discussion**

1. **CON Standards**

Relevant standards for inclusion in this section are specific to the determination that in the case of a nursing facility project that proposes to add new nursing facility beds to the inventory of nursing facility beds within the State, is consistent with the nursing facility MaineCare funding pool and other applicable provisions of sections 333-A and 334-A.

1. **CON Unit Analysis**

The revised information provided by the applicant changes the results of the MaineCare neutrality calculation as follows:

**Table 1: Sources and Uses of MaineCare Funding:**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Source** | **Facility** | **# of Beds** | **$ Value** | **Allocated Beds** | **$ value** |
|  | The Houlton Reg. | 28 | $844,800  | 28 | $844,800  |
|  | Prog. Care Fac. |  |   |  |   |
|  | Total | 28 | $844,800  | 28 | $844,800  |
|  |   |  |   |  |   |
| **Use** | **Madigan SNF/NF** | **13** | **$815,232**  | **13** | **$815,232**  |
| **Additional Savings** |   | 15 | $29,568 |  | $29,568 |

The above table shows that the additional resources purchased from The Houlton Reg. Prog. Care Facility are sufficient to offset the additional expense of adding 13 additional SNF/NF beds.

MaineCare neutrality has been achieved. The remainder of the bed rights will be transferred to the MaineCare funding pool.

No funding is utilized from the MaineCare funding pool.

1. **Conclusion**

Certificate of Need Unit recommends that the Commissioner find that the applicant has met their burden to demonstrate that the project is consistent with the nursing facility MaineCare funding pool and other applicable provisions of sections 333-A and 334-A.

# IX. Timely Notice

|  |  |
| --- | --- |
| Letter of Intent filed: | June 18, 2013 |
| Subject to CON review letter issued: | July 1, 2013 |
| Technical assistance meeting held: | January 8, 2014 |
| CON application filed: | March 3, 2014 |
| CON certified as complete: | March 3, 2014 |
| Public Information Meeting Held: | N/A |
| Public Hearing held: | N/A |
| Comment Period Ended:  | April 2, 2014 |

# X. Findings and Recommendations

Based on the preceding analysis, including information contained in the record, the Certificate of Need Unit recommends that the Commissioner make the following findings:

**A.** The applicant is fit, willing and able to provide the proposed services at the proper standard of care as demonstrated by, among other factors, whether the quality of any health care provided in the past by the applicant or a related party under the applicant’s control meets industry standards.

**B.** The economic feasibility of the proposed services is demonstrated in terms of the:

1. Capacity of the applicant to support the project financially over its useful life, in light of the rates the applicant expects to be able to charge for the services to be provided by the project; and

**2.** The applicant’s ability to establish and operate the project in accordance with existing and reasonably anticipated future changes in federal, state and local licensure and other applicable or potentially applicable rules;

**C.** There is a public need for the proposed services as demonstrated by certain factors, including, but not limited to;

1. The extent to which the project will substantially address specific health problems as measured by health needs in the area to be served by the project;
2. The project has demonstrated that it will have a positive impact on the health status indicators of the population to be served;
3. The project will be accessible to all residents of the area proposed to be served; and
4. The project will provide demonstrable improvements in quality and outcome measures applicable to the services proposed in the project;

**D.** The proposed services are consistent with the orderly and economic development of health facilities and health resources for the State as demonstrated by:

1. The impact of the project on total health care expenditures after taking into account, to the extent practical, both the costs and benefits of the project and the competing demands in the local service area and statewide for available resources for health care;
2. The availability of State funds to cover any increase in state costs associated with utilization of the project’s services; and
3. The likelihood that more effective, more accessible or less costly alternative technologies or methods of service delivery may become available was demonstrated by the applicant;

**E.** The project ensures high-quality outcomes and does not negatively affect the quality of care delivered by existing service providers:

**F.** The project does not result in inappropriate increases in service utilization, according to the principles of evidence-based medicine adopted by the Maine Quality Forum; and

**G.** The project is consistent with the nursing facility MaineCare funding pool and other applicable provisions of sections 333-A and 334-A.

For all the reasons contained in this preliminary analysis and based upon information contained in the record, Certificate of Need Unit recommends that the Commissioner determine that this project should be **approved.**