

## **BRIEFING MEMO**

James W. Donovan, President and CEO  
Lincoln County Health Care

Addition of 12 SNF/NF beds at Gregory Wing of St. Andrews Village

**DATE:** February 10, 2015

**TO:** Mary C. Mayhew, Commissioner, DHHS

**THROUGH:** Kenneth Albert, R.N., Esq., Director, DLRS

**FROM:** Larry D. Carbonneau, Manager, Health Care Oversight, DLRS  
Richard S. Lawrence, Senior Health Care Financial Analyst, DLRS

**SUBJECT:** Addition of 12 SNF/NF beds at St. Andrews Village, Inc.

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

**REGISTERED AFFECTED PARTIES:** No applicants

### **I. BACKGROUND:**

The Gregory Wing of St. Andrews Village (Gregory Wing), LincolnHealth's nursing facility, currently operates 30 dually licensed nursing facility (SNF/NF) beds at 145 Emery Lane, Boothbay Harbor, Maine. Gregory Wing offers skilled nursing care (SNF) including occupational, physical and speech therapy, restorative nursing and respite services and intermediate/ long term care.

On October 1, 2013, St Andrews Hospital and Miles Memorial Hospital merged into LincolnHealth and consolidated inpatient services on the Damariscotta campus, decommissioning Miles' 38-bed licensed capacity and relocating St. Andrews Hospital's Critical Access Hospital CMS designation and 25 licensed swing beds to the Damariscotta campus. These remaining 25 licensed swing beds are almost entirely dedicated to serving acute care patients.

Since the consolidation of inpatient care at the Damariscotta campus, much of the need for community-based skilled nursing and rehabilitation therapy services has not been met locally. In February 2014, Gregory Wing increased its dually licensed SNF/NF capacity from six to all thirty beds.

## **II. PROJECT DESCRIPTION:**

LincolnHealth proposes to increase the Gregory Wing's capacity by 12 beds for a total of 42 SNF/NF licensed beds. The addition of twelve (12) dually licensed SNF/NF beds will expand local access to skilled nursing and rehabilitation therapy services in the community.

LincolnHealth proposes to build a one-story addition to the St Andrews Village main building, which houses independent living apartments, assisted living units and a memory loss program as well as the Gregory Wing SNF/NF program. The project involves the construction of a 7,497 gross square foot addition to the St Andrews Village's main building

## **III. HIGHLIGHTS:**

Letter of Intent filed:	April 18, 2014
Subject to CON review letter issued:	April 23, 2014
Technical assistance meeting held:	May 2, 2014
CON application filed:	December 1, 2014
CON certified as complete:	December 1, 2014
Public Information Meeting Held:	N/A
Public Hearing held:	N/A
Comment Period Ended:	February 9, 2015

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

Following release of the Preliminary Analysis, no public comments were received. However a December 2, 2014 article in the Boothbay Register quotes Jane Good, Vice President of the Boothbay Region Health and Wellness Foundation as saying "This is a very happy day for us. The Foundation started in April 2014 advocating for the community and we have fought tirelessly for these beds. This means that people will be able to heal, rehabilitate and spend the end of their lives at home. We thank Lincoln County Healthcare for listening to the community.

## **V. CONU ANALYSIS/APPLICANTS COMMENTS:**

### **i. Fit, Willing and Able:**

Gregory Wing of St. Andrews Village (Gregory Wing) is dually licensed for 30 Nursing Facility/Skilled Nursing Facility (NF/SNF) beds. The facility is located at 145 Emery Lane in Boothbay Harbor, Maine. The administrator is Wendy Van Duzer Roberts. The license was issued on March 11, 2014 and is valid from April 1, 2014 through March 31, 2015.

The applicant provided a summary of Gregory Wing's last completed survey data. Certificate of Need Unit (CONU) verified this survey data utilizing the medcare.gov website and Division of Licensing and Regulatory Services (DLRS) files. This survey revealed the following ratings:

<b>Gregory Wing of St. Andrews Village Nursing Home Compare Ratings</b>	
<b>Category</b>	<b>Ratings</b>
Overall	Above Average
Health Inspection	Above Average
Staffing	Above Average
Quality Measures	Above Average

Gregory Wing scored “Above Average” in all four categories rated by Centers for Medicare and Medicaid Services (CMS) with an overall rating of “Above Average”. As of the date of submission of this application (12/1/2014) the last completed recertification survey had been conducted on 11/21/2013. The result of the survey was the identification of three deficiencies. All three deficiencies were Level 2 (minimal harm or potential for actual harm). The average number of health deficiencies in Maine is 3.9 and the average number of health deficiencies in the United States is 6.8.

Inspectors determined that the nursing home failed to:

- 1) Develop a complete care plan that meets all of a resident's needs, with timetables and actions that can be measured.
- 2) Allow the resident the right to participate in the planning or revision of the resident's care plan.
- 3) Make sure that the nursing home area is free from accident hazards and risks and provides supervision to prevent avoidable accidents.

All deficiencies cited on the survey were corrected by January 5, 2014.

A new recertification survey was begun on 11/18/2014 and site work was completed on 11/21/2014. No deficiencies were cited.

Survey data for this facility can be accessed at Medicare.gov or at Department of Health and Human Services (DHHS) DLRS and is on file at CONU.

**ii. Economic Feasibility:**

The applicant provided a pro-forma cost report that represents the change in the provided service level. The applicant is proposing to add an additional 12 dually licensed SNF/NF beds. The pro forma cost report includes the capital costs associated with the construction of a 7,947 gross square foot addition to the current St. Andrews Village main building at a cost of \$2,816,300. The pro forma cost report also 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 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.

The CONU 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.

**iii. Public Need:**

Lincoln County is the third smallest county in Maine (456 square miles) with a 2010 population of 34,457. The applicant correctly points out that Lincoln County is estimated to have the state's highest percent of population age 65-or-above (23.1%) in 2012. This is significant because this population is the primary consumer of nursing and residential care services.

The applicant submitted a significant amount of demographic information and occupancy data to support the need for the additional 12 SNF/NF beds at Gregory Wing. CONU has verified the data and has summarized the highlights below:

Lincoln County Population Projections:

The total population of Lincoln County is expected to decline slightly between 2010 and 2019. However, the total 65-or-above population is expected to increase by 19.2% from 7,393 to 8,812 over the same time period. This is significant because this population is the primary consumer of nursing and residential care services. The applicant utilized Nielsen Population Projections for their projections. The Nielsen projections of population growth are slightly more conservative than Muskie projections; therefore CONU has accepted the data. 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.

Projected Need for SNF/NF Care in Lincoln County:

The applicant utilized the Muskie School of Public Service estimates that .8% of the 65-74 year old group, 3.6% of the 75-84 year old group and 11.5% of the 85+ group will utilize nursing homes services to project the increase in demand for SNF/NF beds.

Table 2: Projected SNF/NF bed need

Age Group	2010 Population	% of age group needing SNF/NF Care	Beds Required
Ages 65-74	5228	0.80%	42
Ages 75-84	2443	3.60%	88
Age 85+	1141	11.50%	131
<b>Total</b>			<b>261</b>

Age Group	2019 Population	% of age group needing SNF/NF Care	Beds Required
Ages 65-74	4022	0.80%	32
Ages 75-84	2340	3.60%	84
Age 85+	1031	11.50%	119
<b>Total</b>			<b>235</b>

<b>Increased beds required</b>	<b>26</b>
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Although this methodology relies on statewide averages based on past utilization and does not account for a possible shift of the 65+ population to alternative services in the future, it is reasonable to expect an increased need for nursing services based on an increased Age 65+ population. In addition Lincoln County has 18 nursing home beds per 1,000 persons age 65+ compared to the statewide average of 33 nursing home beds per 1,000 persons age 65+. Two nearby nursing homes, Shore Village in Rockland and Fieldcrest Manor in Waldoboro closed back in 2008 with a resulting loss of 130 nursing home beds.

On May 27, 2014 the applicant received CON approval to merge Miles Memorial Hospital into St. Andrews Hospital. This new entity is named LincolnHealth. This merger had the effect of decreasing the number of Acute Care/Swing beds in Lincoln County as follows:

Facility	Licensed Beds Pre-Merger	Licensed Beds Post-Merger	Increase (Decrease)
Miles Memorial	33 Acute/5 Swing		(38)
St. Andrews Hospital	25 Acute Care/Swing		(25)
Lincoln Health		25 Acute Care/Swing	25
<b>Total</b>			<b>(38)</b>

This reduction in capacity has led to SNF/NF patients utilizing beds which could be better utilized by acute patients due to lack of available SNF/NF placements. During the October 1, 2013 through March 31, 2014 timeframe 23.4% of LincolnHealth's total patient days were for skilled nursing patients. 139 referrals for SNF/NF care were denied during this time period. In order to alleviate this situation Gregory Wing changed their licensure from 6 SNF beds and 24 NF beds to 30 dually licensed SNF/NF beds effective 2/1/2014. Unfortunately this did little to alleviate the problem since many of the Gregory Wing patients are long-term residents.

## Nursing Facility Occupancy Rates

The applicant provided nursing home occupancy data for 3 Lincoln County nursing homes and 3 other facilities within 33 miles of Gregory Wing. The average occupancy of these facilities from September 15, 2013 through August 15, 2014 was 93.1%. CONU examined the 9/15/2014 data to determine if it remains consistent. The average occupancy using the 9/15/2014 data is consistent at 93.6%. See table below.

<b>Facility / Location</b>	<b># of SNF/NF Beds</b>	<b>Distance from Gregory Wing</b>	<b>Average Occupancy</b>
			<b>15-Sep-14</b>
Gregory Wing	30	-0-	100.00%
Country Manor, Whitefield	30	33 miles	93.33%
Cove's Edge, Damariscotta	76	15 miles	96.05%
Horizons, Brunswick	65	32 miles	100.00%
Mid Coast, Brunswick	42	32 miles	83.33%
Winship Green, Bath	<u>72</u>	24 miles	<u>88.89%</u>
<b>TOTAL</b>	<b>315</b>		<b>93.60% AVG</b>
Source: MaineCare Data Management Reports – MDS for Nursing Facilities, Muskie School of Public Service			

Enhancing needed SNF/NF services in the Lincoln County area will have a positive impact on the health status indicators of the population to be served, primarily those in the 65+ age group. Adding 12 additional SNF/NF beds to Gregory Wing will enable residents to remain close to home and family while receiving services. The facility will continue to provide post-acute rehabilitative care and long term care. As the applicant stated:

“Increasing SNF/NF capacity at the Gregory Wing will improve local residents’ access to this level of care within the Lincoln County Health Care integrated health care delivery system. This project will aid Lincoln Health Medical Group providers to more closely manage and monitor their patients’ care across the continuum, a major point of emphasis of the Accountable Care model of patient care being advocated by CMS.”

The services affected by the project will be accessible to all residents of the area proposed to be served.

With the addition of 12 SNF/NF beds Gregory Wing will enhance its rehabilitation program which will benefit patients by speeding their recovery allowing them to be discharged to more cost effective community based services or to home.

**iv. Orderly and Economic Development:**

The decision to increase Gregory Wings capacity from 30 to 42 dually licensed SNF/NF beds was made in response to a demonstrated need for additional SNF/NF beds in the Lincoln County area. The increased beds will improve patients access to local SNF/NF services.

Competing demands in the local service area are evaluated by looking at the Primary Care Access Area (PCAA). In Maine, the state is divided into 62 discreet rational service areas. These are federally approved and serve as a rational basis to determine many different social and medical needs quantitatively. The PCAA that contains the Gregory Wing is PCAA 10 which includes the following area as seen in Table #2 below.

TABLE 2: Primary Care Access Area

<b>Town</b>	<b>Total Pop</b>	<b>100% RPL Pov</b>	<b>100% FPL Pov %</b>	<b>200% FPL Pov</b>	<b>200% FPL Pov %</b>	<b>65 and Over</b>	<b>65 and Over %</b>	<b>MaineCare</b>	<b>MaineCare %</b>
Alna	634	54	8.5	119	18.8	106	16.7	64	10.1
Boothbay	3129	513	16.4	1008	32.2	664	21.2	458	14.6
Boothbay Harbor	2415	142	6.0	471	19.8	743	30.8	289	12.0
Bremen	675	59	8.9	180	27.1	185	27.4	134	19.9
Bristol	2766	209	7.6	569	20.6	848	30.7	423	15.3
Damariscotta	2216	320	15.3	696	33.2	533	24.1	412	18.6
Edgecomb	1143	69	6.1	185	16.2	154	13.5	186	16.3
Jefferson	2529	222	8.8	834	33.1	366	14.5	387	15.3
Monhegan Plt	40	10	25.0	13	32.5	6	15.0	8	20.0
Newcastle	1576	63	4.0	320	20.3	403	25.6	251	15.9
Nobleboro	1647	77	4.7	419	25.4	256	15.5	264	16.0
South Bristol	976	105	10.8	301	30.8	297	30.4	101	10.3
Southport	541	60	11.2	137	25.6	214	39.6	61	11.3
Waldoboro	5111	614	12.0	1933	37.8	878	17.2	1425	27.9
	<b>25398</b>	<b>2517</b>	<b>10.0</b>	<b>7185</b>	<b>28.5</b>	<b>5653</b>	<b>22.3</b>	<b>4463</b>	<b>17.6</b>

Statistically significant outliers are the areas of Waldoboro where 37.8% of the population lives under the 200% poverty level and Southport where 39.6% of the residents are over 65 years old. These residents are served by the Critical Access Hospital in Damariscotta as well as Mid-Coast Hospital in Brunswick to the Southwest and perhaps increasingly because of the changes occurring in 2014, PenBay Hospital in Camden/Rockport to the Northeast.

The increased operating costs associated with the 12 additional SNF/NF beds would be completely offset by the MaineCare revenue stream from Shore Village making this project MaineCare neutral. This project does not increase costs to the Maine health care system and will not impact the availability of State funding for other providers in the area.

The applicant examined several alternatives to this project including building a stand-alone SNF/NF facility or utilizing part of the former St. Andrews hospital building as a SNF/NF wing.

The addition of the 12 SNF/NF beds at Gregory Wing is the most cost effective and accessible alternative currently available.

**v. Outcomes and Community Impact:**

The addition of 12 SNF/NF beds in the Lincoln 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. Gregory Wing participates in the MaineHealth quality improvement initiative including MaineHealth Elder Care Services and MaineHealth Center for Quality & Safety initiatives. The applicant states that St. Andrews Village, including Gregory Wing, is dedicated to providing each resident with “the necessary care and services to attain or maintain the highest practicable physical, mental and psychosocial well-being”. A strong Quality Assurance and Performance Improvement (QAPI) program has been instituted throughout the organization.

The 12 additional SNF/NF beds will focus on rehabilitative services with the goal of returning the patient to their homes and/or community-based services rather than placing residents permanently in a more costly long term care nursing bed. This goal is consistent with the goals of the department and national trends of extending home-based services.

**vi. Service Utilization:**

This application involves the addition of 12 SNF/NF beds in an area with demonstrated need and will not result in inappropriate increases in utilization.

**vii. MaineCare Funding Pool and MaineCare neutrality:**

This project is subject to MaineCare neutrality. MaineCare neutrality is computed by comparing the utilization of MaineCare resources between Gregory Wings current 30 bed SNF/NF capacity and the proposed 42 bed SNF/NF capacity. Calculations for additional beds are made assuming a 95% MaineCare occupancy rate. The current MaineCare utilization for the 30 bed SNF/NF is \$1,557,412 using the 7/1/2014 daily rate of \$238.10 and current MaineCare Occupancy. The projected MaineCare utilization for the proposed 42 bed SNF/NF is \$2,907,626 using the pro forma cost report rate of \$271.69 and the appropriate occupancy percentage. The increase in MaineCare utilization is \$1,350,214.

The resources available for the project are listed in Table 1: Sources and Uses of MaineCare Funding. The applicant has identified a source of revenue available for offsetting the projects annual expenses.

Table 1: Sources and Uses of MaineCare Funding

Sources/Uses	Facility	# of Beds	Value \$	Allocated Beds	Value \$
Sources:	Fieldcrest Manor	70	\$2,069,683	0	
	Shore Village	60	\$1,58,993	52	\$1,351,127
	Gregory Wing	30	\$1,557,412	30	\$1,557,412
					\$2,908,539
Uses:	Gregory Wing Existing			30	\$1,777,124
	Gregory Wing New			12	\$1,130,502
				42	\$2,907,626
	MaineCare Savings (Deficit)				\$913

Table 1 indicates that the revenue stream from 52 Shore Village beds is sufficient to offset the increased incremental revenues of opening 12 new SNF/NF beds at Gregory Wing. This incremental revenue also includes the incremental revenue attributed to operating the existing beds. The applicant will retain the value of the 70 beds of Fieldcrest Manor (\$2,069,683) and the 8 remaining Shore Village beds (207,866).

The provider has sufficient resources to make this project MaineCare neutral. The applicant has suggested that the actual use of MaineCare resources will be \$2,493,286 this would suggest that the calculated MaineCare neutrality is sufficiently conservative as to ensure MaineCare neutrality in this instance.

No funding is required from the MaineCare funding pool.

**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 the CON.

**VII. RECOMMENDATION:**

CONU recommends that this application be **Approved**.