

July 17, 2017

Ms. Nora Mann, Esq.
Director, Determination of Need Program
Department of Public Health
250 Washington Street, 6th Floor
Boston, Massachusetts 02108

Re: Alden Court Nursing Care & Rehabilitation Center
389 Alden Road, Fairhaven, MA 02719
DoN Project # 5-1574

Request for Minor Change

Dear Ms. Mann:

We write on behalf of Metro Health Foundation of Massachusetts, Inc., (the “Applicant”), the holder of approved and in process Determination of Need (“DoN”) Project #5-1574 (“Project”). The facility has begun the implementation of this DoN and as a result of the more detailed planning related to the implementation; it determined that the original approval requires minor modifications prior to full implementation. As a result, the Applicant hereby respectfully requests a minor change to its DoN authorization pursuant to 105 C.M.R. §100.635(A)(2). We offer the following comments in support of the Applicant’s request for this minor amendment to its DoN approval.

I. Background

On February 24, 2014, the Department approved with conditions DoN Project Number 5-1574 to undertake a substantial capital expenditure. The application, as approved provides for renovation of the existing nursing facility to include an upgrade of the HVAC system and replacement of windows and siding as well as carpet, wall covering, doors, floors, and ceiling panels. The project will also improve ambulance accessibility at the facility by grading an entrance and adding a new canopy.

The total approved gross square feet for the project is 56,571 GSF of renovation to upgrade the HVAC and replace several major building components.

The approved maximum capital expenditure for the project is \$2,354,191 (September 2013 dollars).

See **Attachment I** for Department approvals

II. Unforeseen Circumstances

After starting to implement the DoN and beginning to finalize costs, the Applicant developed the detailed architectural and engineering plans and obtained current updated construction bids. In order to accomplish the basic goals of the DoN Project, the Applicant identified that costs were higher than expected, regulatory requirements needed to be met, and certain aspects of the project necessitated cost modifications.

The unforeseen circumstances and certain conditions warranted a significant increase in HVAC spending. The Applicant originally anticipated changing only roof top units and addressing HVAC in corridors and community spaces. As they progressed and received input from residents it was clear that the short term patients required air conditioning in their rooms and the long term residents did not want air conditioning in their rooms. The Applicant modified the plan by adding new air conditioning and heating to the post-acute unit by removing inefficient and expensive baseboard heating and replacing it with a renewable geo-thermal system. They also added high efficiency heating and cooling units for all corridors and community spaces in the building.

Although the changes were more expensive than originally anticipated the end result will provide cost efficiencies in the future and more importantly greater comfort to the residents who reside at the facility.

III. Inflation Adjustment

The Holder is requesting inflation to the date of this request.

A detailed listing of the inflation adjusted costs of the Project is provided. See **Attachment II** for the inflation adjustment which results in an increase of the MCE of \$2,354,191 to \$2,495,207 based on a 1.0599 inflation multiplier.

IV. Changes to the Approved MCE

The holder is requesting a minor change amendment from the inflation adjusted amount of \$2,495,207 to \$2,596,143, the requested changes in the MCE are attributable to unforeseen circumstances due to the changes in design of HVAC which will provide cost efficiencies in the future, in review of facility infrastructure it was determined a need to replace the original hot water boiler, data network and elevator controls. None of these changes were anticipated in the original filing as that was done nearly four years prior. The outcomes of the upgrades are improvement to the resident's quality of life and personal safety, a more efficient and economical building and many operational efficiencies.

The primary unforeseen change in costs is described below.

1. Depreciable Land Development – the original DoN filing included a complete revision to an existing ambulance entrance. When the applicant obtained bids on this work they were well over the approved MCE for this line item and far more than the Applicant was able to spend and they focused on other and newer priorities. The approved MCE was \$130,000 and the actual cost is projected to be \$26,882, a savings of nearly \$100,000.

2. Construction costs for renovations – only requesting an increase up to inflation.
3. The architectural costs are in excess of the amount projected in the original DoN. The costs have increased from the inflated projected level of \$21,165 to what is now an actual cost of \$45,522. This is an increase of \$24,357; however, these costs remain less than the 2.6% of construction costs requested in the amendment and were due primarily with the changes in the HVAC.
4. Post-filing Cost - only requesting an increase up to inflation.
5. Equipment cost are in excess of the amount projected in the original DoN. The costs have increased from the inflated projected level of \$405,821 to what is now an actual cost of \$638,764. This is an increase of \$232,934, as the DoN was being implemented it was determined that the Applicant needed to make a priority to replace all of the resident room furniture as they had previously bought electric beds to replace all resident beds (not included in DoN and purchased prior to DoN approval). The original 20 year old bureaus, bedside tables, overbed tables and chairs were looking aged and need to be replaced. Also, it was determined that dining room chairs and sitting room furniture need to be replaced.
6. Net Interest Expense – we are requesting a decrease in this line item. The original financing was anticipated to be a commercial bank mortgage at an anticipated interest rate of 4.25% for a 25 year term. Interest expense during construction was anticipated to be \$53,565. The actual financing was a HUD loan and renovations and equipment were funded by the Replacement Reserve Fund and therefor no interest is being claimed.

See **Attachment III** for a detailed listing of the adjusted costs of the project reflecting inflation.

See **Attachment IV** for the revised Form 4.

V. **Request for a Minor Change**

In accordance with the provisions of 105 C.M.R. § 100.635(A)(2), the Applicant respectfully requests that the Department approve a minor change to its DoN authorization. This approval will permit the Holder to address and complete the critical need for renovation of this facility's physical plant. Moreover, upon completion of the Project, the construction and renovation will increase the Holder's operating efficiency and resident safety and improve efficiency. The implementation of the proposed full renovation of this Facility will assure the Applicant's long term ability to serve Fairhaven, Massachusetts and the surrounding communities.

Specifically, the Applicant requests minor change amendment approval for an increase over the inflated amount to an MCE of \$2,596,143 (July 2017 dollars), an inflation increase of 5.99% from the previously approved MCE of \$2,354,191 (September 2013 dollars) to inflated MCE of \$2,495,207 (July 2017 dollars).

The Department's approval of this request will be consistent with the DoN Program's mandate to ensure satisfactory access to quality health care at reasonable costs. The Alden Court facility needs repairs and renovations to continue to meet the needs of the current and future residents it serves. To that end, we respectfully request that you approve this request, which has been submitted in conformance with 105 C.M.R. §§ 100.635 of the Department's DoN Regulations.

The Holder does not anticipate that these proposed changes will impact their patient panel negatively and does not anticipate a change in patient or payer mix. Payers for the patient panel include Medicaid, Medicare, Private Pay, and third party payers and other than the increase in the capital portion of the Medicaid rate and the usual slight annual increase in private rates no other increases are expected.

We thank you for your consideration of this request. Please do not hesitate to contact me if you have any questions or require additional information.

Sincerely,



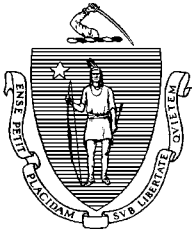
Mark Cummings, CPA
Principal
617-984-8188
mark.cummings@claconnect.com

Enclosures: Attachments I, II, III, IV

Cc:

Alden Court, Peter Gordon, peter.gordon@gordonhealthcare.com
Alden Court, Brad Truini, btruini@aldencourtnursing.com
Center for Health Information and Analysis (CHIA), Patty McCusker, patty.mccusker@state.ma.us
Southeast Regional Health Office, Ron O'Connor, ron.oconnor@state.ma.us
MassHealth, Tom Lane, thomas.lane@state.ma.us
EOEA, Alice Bonner, alice.bonner@state.ma.us
HCFLC, Stephen Davis, stephen.davis@state.ma.us

ATTACHMENTS



The Commonwealth of Massachusetts
Executive Office of Health and Human Services
Department of Public Health
Determination of Need Program
250 Washington Street, Boston, MA 02108

DEVAL L. PATRICK
GOVERNOR

JOHN W. POLANOWICZ
SECRETARY

CHERYL BARTLETT, RN
COMMISSIONER

Tel: 617-624-5690
www.mass.gov/dph/don

February 24, 2014

TRANSMITTED VIA EMAIL
NOTICE OF DETERMINATION OF NEED

RE: Project No. 5-1574
Metro Health Foundation of Massachusetts, Inc.
d/b/a Alden Court Nursing Care &
Rehabilitation Center
(Upgrade the HVAC and Replace Major Building
System Components)

J. William. D. Gady
CliftonLarsonAllen
300 Crown Colony Drive, Suite 310
Quincy, MA 02169
Bill.Gady@cliftonlarsonallen.com

Dear Mr. Gady:

This shall serve as notification to you that pursuant to M.G.L. c.111, §25C and the regulations adopted thereunder, including the provisions of 105 CMR 100.504, I hereby approve with conditions the Determination of Need application filed by Metro Health Foundation of Massachusetts, Inc. d/b/a Alden Court Nursing Care & Rehabilitation Center ("Applicant" or "Alden Court") to undertake a substantial capital expenditure. The application, as approved, provides for renovation of the existing nursing facility to include an upgrade of the HVAC system and replacement of windows and siding as well as carpet, wall covering, doors, floors, and ceiling panels. The project will also improve ambulance accessibility at the facility by grading an entrance and adding a new canopy.

This Notice of Determination of Need incorporates by reference the attached Staff Summary.

The total approved gross square feet ("GSF") for the project is 56,571 GSF of renovation to upgrade the HVAC and replace several major building system components.

The approved maximum capital expenditure ("MCE") for the project is \$2,354,191 (September 2013 dollars) as itemized below:

Land Costs:	
Depreciable Land Development Costs	\$ <u>130,000</u>
Total Land Costs	130,000
Construction Costs:	
Construction Contract	1,662,840
Architectural and Engineering Costs	20,000
Pre-filing Planning and Development Costs	61,560
Post-filing Planning and Development Costs	43,340
Net Interest Expense During Construction	53,565
Major Moveable Equipment	382,886
Total Construction Costs	<u>2,444,291</u>
Estimated Total Capital Expenditure	\$ 2,354,191

The approved MCE of \$2,354,191 (September 2013 dollars) will be financed with a commercial bank mortgage at an anticipated interest rate of 4.25% for a 25-year term

The approved incremental operating cost for the project's first full year of operation (FY 2015) is \$224,011 (September 2013 dollars), itemized as follows:

Salaries, Wages, Fringe	\$ 21,264
Purchased Services	(26,627)
Supplies and Other Expenses	(27,401)
Depreciation	158,999
Interest	<u>97,776</u>
Total Incremental Operating Costs	\$ 224,011

All operating costs are subject to review and approval by the Center for Health Information and Analysis and third party payers according to their policies and procedures.

The reasons for this approval with conditions are as follows:

1. The Applicant seeks a Determination of Need for substantial capital expenditure for renovation to upgrade the HVAC and replace several major building system components.
2. The Department found the health planning process for the project to be satisfactory.
3. The Department found, consistent with the DoN Guidelines for Nursing Facility Replacement and Renovation ("Guidelines"), that the Applicant has demonstrated need for renovation to upgrade the HVAC and replace major building system components.
4. The Department found that, with adherence to a certain condition, the project meets the operational objectives of the Guidelines.
5. The Department found that, with adherence to a certain condition, the project meets the compliance standards of the Guidelines.

6. The Department found that the maximum capital expenditure of \$2,354,191 (September 2013 dollars) is reasonable relative to the applicable standards referenced in the Guidelines.
7. The Department found that the incremental operating costs of \$224,011 (September 2013 dollars) as revised, are reasonable based on similar, previously approved projects.
8. The Department found that the project is financially feasible and within the financial capability of the Applicant.
9. The Department found that the project meets the relative merit provisions of the Guidelines.
10. The Department found that the project is exempt from the community health initiatives requirement.
11. The Department found that the project is exempt from the Determination of Need Guidelines for Environmental and Human Health Impact ("Green Guidelines").

This Determination is effective upon receipt of this Notice. The Determination is subject to the conditions set forth in Determination of Need Regulation 105 CMR 100.551, including sections 100.551 (C) and (D) which read in part:

- (C) ...such determination shall be valid authorization only for the project for which made and only for the total capital expenditure approved.
- (D) ...no construction may begin until the holder has received final plan approval in writing from the Division of Health Care Quality.

This Determination is subject to the following conditions, in addition to the terms and conditions set forth in 105 CMR 100.551. Failure of the Applicant to comply with the conditions may result in Department sanctions, including possible fines and/or revocation of the DoN.

1. Metro Health Foundation of Mass., Inc. d/b/a Alden Court Nursing Care and Rehabilitation Center shall accept the maximum capital expenditure of \$2,354,191 (September 2013 dollars) as the final cost figure except for those increases allowed pursuant to 105 CMR 100.751 and 100.752.
2. The total approved GSF of construction for this project is 56,571 GSF of renovated space.
3. Metro Health Foundation of Mass., Inc. d/b/a Alden Court Nursing Care and Rehabilitation Center shall initiate all actions appropriate to protecting the privacy, health, and safety of the residents of the facility during the construction process.

4. Upon implementation of the project, any assets such as land, building improvements, or equipment that are either destroyed or no longer used for patient care, shall not be claimed for reimbursement for publicly aided patients.

5. The Department shall reserve the right to conduct a review of the financial feasibility of the project based on the Center for Health Information and Analysis's established rates of reimbursement for Medicaid patients at the time final maximum capital expenditures or any adjustments to the final maximum capital expenditures are submitted to the Determination of Need Program for approval in the event that such expenditures exceed the approved maximum capital expenditure. Metro Health Foundation of Mass., Inc. d/b/a Alden Court Nursing Care and Rehabilitation Center shall submit a revised Factor Six (Financial Schedules) upon request by the Department. Further, Metro Health Foundation of Mass., Inc. d/b/a Alden Court Nursing Care and Rehabilitation Center is advised that an increase in equity may be necessary to assure the financial feasibility of the project.

6. The approved MCE does not include any capital expenditures associated with this project made prior to the date of DoN approval with the exception of expenditures incurred in the planning and development of the DoN application. Should Alden Court find that any of the expenses submitted are not in fact eligible for consideration because they preceded the date of the DoN application or are not capital expenses, Alden Court shall submit an amendment that will adjust the MCE accordingly. All submissions made to the Center of Health Information and Analysis pursuant to this DoN shall be in accordance with this condition.

Sincerely,

A handwritten signature in black ink that reads "Cheryl Bartlett". The signature is written in a cursive, flowing style.

Cheryl Bartlett, RN
Commissioner

CB:bp:jp

cc: Sherman Lohnes, Division of Health Care Quality
Paul DiNatale, Division of Health Care Quality
Daniel Gent, Division of Health Care Quality
Patty McCusker, Division of Health Care Finance and Policy
Ron Pawelski, Executive Office of Elder Affairs
Public File
Jere Page, Analyst

STAFF SUMMARY FOR DETERMINATION OF NEED
BY THE COMMISSIONER OF PUBLIC HEALTH
(DELEGATED REVIEW PROCESS)
February 24, 2014

APPLICANT: Metro Health Foundation of Mass., Inc. d/b/a Alden Court Nursing Care and Rehabilitation Center PROGRAM ANALYST: Jere Page

LOCATION: 389 Alden Road
Fairhaven, MA 02719 PROJECT NUMBER: 5-1574

DATE OF APPLICATION: September 19, 2013

PROJECT DESCRIPTION: Renovation of the existing facility to include an upgrade of the HVAC system and replacement of windows, and siding, as well as carpet, wall covering, doors, floors, and ceiling panels. The project will also improve the facility's ambulance accessibility by grading an entrance and adding a new canopy.

ESTIMATED MAXIMUM CAPITAL EXPENDITURE:

Requested: \$2,574,291 (September 2013 dollars)
Recommended: \$2,354,191 (September 2013 dollars)

ESTIMATED FIRST YEAR OPERATING COSTS:

Requested: \$126,235 (September 2013 dollars)
Revised: \$224,011 (September 2013 dollars)
Recommended: \$224,011 (September 2013 dollars)

LEGAL STATUS: A regular application for substantial capital expenditure pursuant to M.G.L. c.111, §25C and the regulations adopted thereunder.

ENVIRONMENTAL STATUS: No environmental notification form or environmental impact report is required to be submitted for this project since it is exempt under 301 Code of Massachusetts Regulations 11.00, promulgated by the Executive Office of Environmental Affairs pursuant to Massachusetts General Laws, Chapter 30, Section 61-62H. This exemption has the effect of a determination that the project will cause no significant damage to the environment.

COMPARABLE APPLICANTS: None

COMMENTS BY THE CENTER FOR HEALTH INFORMATION AND ANALYSIS: Comments were submitted to alert the Applicant to recent changes in the regulations (114.2 CMR 6.05) governing the rate determination process for Nursing Homes.

COMMENTS BY EXECUTIVE OFFICE OF ELDER AFFAIRS: None submitted

COMMENTS BY DIVISION OF MEDICAL ASSISTANCE: None submitted

TEN TAXPAYER GROUP(S): None formed

RECOMMENDATION: Approval with conditions

I. BACKGROUND AND PROJECT DESCRIPTION

Metro Health Foundation of Mass., Inc. d/b/a Alden Court Nursing Care and Rehabilitation Center (“Alden Court” or “Applicant”) is a private, for-profit nursing facility located at 389 Alden Road, Fairhaven, MA 02719. Originally built in 1989, the one-story facility is licensed to operate 82 Level I/II and 60 Level III beds. Currently, the beds are configured into three nursing units: two 41-bed Level II units and one 60-bed Level III unit.

The Applicant also currently owns and operates the Bostonian Nursing Care and Rehabilitation Center in Dorchester.

The proposed project, filed in September 2013, seeks a Determination of Need for renovation of the existing nursing facility to include an upgrade of the HVAC system and replacement of windows and siding for energy conservation, as well as carpet, wall covering, doors, floors, and ceiling panels. The project will also improve ambulance accessibility at the facility by grading an entrance and adding a new canopy.

II. STAFF ANALYSIS AND FINDINGS

Staff has analyzed the proposed project for conformance with the May, 1993 DPH/DoN Guidelines for Nursing Facility Replacement and Renovation (“Guidelines”).

A. Health Planning Process

The Applicant consulted with appropriate state agencies and area providers including the Determination of Need Program, the Executive Office of Elder Affairs, and the Center for Health Information and Analysis. Providers included New England Baptist Hospital, New England Medical Center, and the Southcoast Visiting Nurses Association.

Staff finds the health planning process for the project to be satisfactory.

B. Health Care Requirements

Renovation

As previously indicated, the project will involve renovation of the existing nursing facility to include an upgrade of the HVAC system and replacement of windows and siding for energy conservation, as well as carpet, wall covering, doors, floors, and ceiling panels. The project will also improve ambulance accessibility at the facility by grading an entrance and adding a new canopy.

The Applicant notes that the existing facility was constructed in 1989, and is hampered by deficiencies that need to be addressed to ensure a safer, more comfortable environment for its residents. According to the Applicant, the HVAC upgrade is needed to comply with life safety requirements and energy conservation, and will improve the facility’s operations by assuring that appropriate temperature is maintained.

In addition, a recent HUD assessment of the facility in early 2013, involved with refinancing of the facility’s existing debt, identified several immediate and necessary renovations that affect the quality of life for the facility’s residents.

Based on this information, Staff notes that the proposed project meets Guideline standards for the following:

- i. The existing building or part thereof is at least 20 years old if a wood frame and 25 years if a masonry structure, or was built prior to the implementation of the Department's 1972 regulations for General Standards of Construction for Long Term Care Facilities. Yes (X) No ()

The existing facility is 25 years old.

- ii. Documentation of operating inefficiencies in the existing facility and how the proposed project will address them, including cost savings; **or** Yes (X) No ()
- iii. Documentation that some of the licensed beds are housed in a unit or building in which deficiencies exist that impact residents/staff health or safety and /or impose serious restrictions on the quality of life or care within the unit or building. Yes (X) No ()

Staff finds that consistent with the provisions of the Guidelines, need has been demonstrated satisfactorily for the proposed renovation.

C. Operational Objectives

The proposed project meets the requirements of the Guidelines with regard to the following items:

- One-time 12-bed expansion exemption. Not applicable
- Affiliation agreements with local acute care hospitals and home care corporations Yes (X) No ()
- Proposed unit size will be above the 41-bed (Level II) or 60-bed (Level III) limit Yes () No (X)
- Affiliation agreements will provide for respite services. Yes (X) No ()

The Applicant has written affiliation and transfer agreements with New England Baptist Hospital and New England Medical Center. In addition, the Southcoast Visiting Nurses Group currently provides hospice services including the respite services required by the Guidelines.

In summary, Staff finds that, with adherence to a certain condition, the project meets the operational objectives requirements of the Guidelines. The condition stipulates that a plan be established to protect the privacy, health and safety of the residents of the facility during the construction process.

D. Standards Compliance

The proposed project meets the Factor Four requirements of the Guidelines with regard to the following:

- The applicant is suitable for licensure. Yes (X) No ()
- Gross Square Footage ("GSF") meets minimum licensure standards Yes (X) No ()
- The project will comply with Americans with Disabilities Act ("ADA") Yes (X) No ()

As indicated previously, the renovation of the existing 56,571 GSF facility will include an upgrade of the HVAC system and replacement of windows and siding for energy conservation, as well as carpet, wall covering, doors, floors, and ceiling panels. The project will also improve ambulance accessibility by grading an entrance and adding a new canopy.

Staff finds that the project, with adherence to a certain condition, meets the standards compliance requirements of the Guidelines.

E. Financial Analysis

I. Reasonableness of Capital Expenditure

The recommended maximum capital expenditure ("MCE") for the proposed project is \$2,354,191 (September 2013 dollars), itemized as follows:

	<u>Requested</u>	<u>Recommended</u>
Land Costs:		
Depreciable Land Development Costs	\$ <u>130,000</u>	\$ <u>130,000</u>
Total Land Costs	130,000	130,000
Construction Costs:		
Construction Contract	1,662,840	1,662,840
Architectural and Engineering Costs	20,000	20,000
Pre-filing Planning and Development Costs	61,560	61,560
Post-filing Planning and Development Costs	43,340	43,340
Net Interest Expense During Construction	53,565	53,565
Major Moveable Equipment	<u>602,986</u>	<u>382,886</u>
Total Construction Costs	<u>2,444,291</u>	<u>2,224,191</u>
Estimated Total Capital Expenditure	\$ 2,574,291	\$ 2,354,191

Staff notes that the Applicant had requested that prior capital costs of \$220,100 incurred by the Alden Court facility in March 2013 be included in the proposed major moveable equipment. The Applicant reports that these costs represent the purchase of 142 new electric beds based on recommendations resulting from an OSHA inspection that identified ways to reduce ergonomic related injuries at the facility.

However, Staff notes that these prior costs are not eligible for consideration because they preceded the date of the DoN application, and therefore cannot be considered capital costs associated with the proposed renovation of the present project. Therefore Staff has removed \$220,100 from the recommended major moveable equipment, as indicated above.

In determining the reasonableness of the requested maximum capital expenditure, Staff reviewed the cost/GSF for renovation. Based on the requested 56,571 GSF for renovation, the requested cost/GSF is \$29.75/GSF (September 2013 dollars) as calculated below.

Construction Contract	\$ 1,662,840
Architectural & Engineering Costs	<u>20,000</u>
Total	1,682,840
Total Renovated GSF Required	56,571
Cost/GSF	\$29.75

Staff found the proposed renovation cost of \$29.75 cost/GSF to be less than the renovation cost/GSF of \$151.42 that would currently be allowed by Marshall & Swift ("Marshall") in the Fairhaven area (Fall River). Staff notes that, by comparison, the current allowable Marshall cost/GSF for new construction in the Fairhaven area is \$252.36.

Staff further notes that the recommended Major Movable Equipment cost is \$382,886 or \$2,696 per bed. This amount falls well within the Guidelines, which cap the expenditure for major movable equipment at \$3,180 per bed (January 1993 dollars) or in excess of \$6,000 per bed when inflated to today's dollars.

Based upon the above analysis, Staff finds the recommended MCE is reasonable relative to the applicable standards referenced in the Guidelines.

2. Reasonableness of Incremental Operating Costs

Staff notes that the Applicant's original financial schedules in the application indicated that the project would be financed with a 100% equity contribution. However, after filing it was determined that the project will be completely financed with a mortgage loan, and Staff requested that the Applicant submit revised financial schedules to reflect the change.

The revised incremental operating costs for the project's first full year of operation (FY 2015) are \$224,011. As itemized below, the costs include a reduction in interest cost to reflect the lower recommended MCE.

Salaries, Wages, Fringe	\$ 21,264
Purchased Services	(26,627)
Supplies and Other Expenses	(27,401)
Depreciation	158,999
Interest	<u>97,776</u>
Total Incremental Operating Costs	\$ 224,011

The Applicant reports that the projected cost savings in purchased services and supplies and other will result from more efficient utilization of staff, as well as increased efficiencies obtained through potential group purchasing.

The Center for Health Information and Analysis ("CHIA") maintains a standard pricing system for nursing facilities, limiting the payment for new capital costs at \$28.06 per resident day. Based upon the Applicant's FY 2015 projection of 49,311 total resident days, the projected annual capital cost of \$256,775 represents \$5.21 per resident day, a value well within the cap. All operating costs are subject to review by the CHIA and third party payers according to their policies and procedures.

Based upon this analysis, Staff finds the recommended incremental operating costs to be reasonable when compared with similar, previously approved projects.

F. Financial Feasibility and Capability

The Applicant is proposing to finance all of the recommended MCE of \$2,354,191 (September 2013 dollars) with a commercial bank mortgage at an anticipated interest rate of 4.25% for a 25-year term.

Projected Debt Service Coverage is at least 1.4	Yes (X) No ()
Current Ratio is at least 1.5	Yes (X) No ()

From the financial information submitted in the application, the debt service coverage ratio is 1.45 in FY 2015 and the Applicant's current ratio is 3.41, both of which are above the minimum standards specified by the Guidelines. Staff notes that in order to obtain financing, the Applicant will be subject to more rigorous scrutiny of its financial capability to undertake this project. As a result, Staff recommends that a condition of approval (Condition #5) be added reserving the Department's right to revisit the financial feasibility of the project at a later date.

Based on the above analysis and subject to a condition, Staff finds the project to be financially feasible and within the financial capability of the Applicant.

G. Relative Merit

Alden Court has indicated that, prior to deciding upon the proposed renovation of the existing facility, it also considered replacement of the existing facility, but determined that this could only be accomplished at much greater expense through new construction at a different site.

On this basis, Staff finds that the project meets the relative merit requirements of the Guidelines.

H. Environmental Impact

Since the proposed project does not include new construction or gut renovation, it was not subject to the DoN Guidelines for Environmental and Human Health Impact ("Green Guidelines").

I. Community Health Initiatives

At present, nursing home facility applications are exempt from this DoN review factor.

III. STAFF RECOMMENDATION

Based upon the above analysis and findings, Staff recommends approval with conditions of the DoN application for substantial capital expenditure filed by Metro Health Foundation of Mass., Inc. d/b/a Alden Court Nursing Care and Rehabilitation Center. The project involves renovation of the existing nursing facility including an upgrade of the HVAC system and replacement of windows and siding for energy conservation, as well as carpet, wall covering, doors, floors and ceiling panels. The project will also improve ambulance accessibility to the facility by grading an entrance and adding a new canopy.

Failure of the Applicant to comply with these conditions may result in Departmental sanctions including possible fines and/or revocation of the DoN.

1. Metro Health Foundation of Mass., Inc. d/b/a Alden Court Nursing Care and Rehabilitation Center shall accept the maximum capital expenditure of \$2,354,191 (September 2013 dollars) as the final cost figure except for those increases allowed pursuant to 105 CMR 100.751 and 100.752.
2. The total approved GSF of construction for this project is 56,571 GSF of renovated space.
3. Metro Health Foundation of Mass., Inc. d/b/a Alden Court Nursing Care and Rehabilitation Center shall initiate all actions appropriate to protecting the privacy, health, and safety of the residents of the facility during the construction process.
4. Upon implementation of the project, any assets such as land, building improvements, or equipment that are either destroyed or no longer used for patient care, shall not be claimed for reimbursement for publicly aided patients.
5. The Department shall reserve the right to conduct a review of the financial feasibility of the project based on the Center for Health Information and Analysis's established rates of reimbursement for Medicaid patients at the time final maximum capital expenditures or any adjustments to the final maximum capital expenditures are submitted to the Determination of Need Program for approval in the event that such expenditures exceed the approved maximum capital expenditure. Metro Health Foundation of Mass., Inc. d/b/a Alden Court Nursing Care and Rehabilitation Center shall submit a revised Factor Six (Financial Schedules) upon request by the Department. Further, Metro Health Foundation of Mass., Inc. d/b/a Alden Court Nursing Care and Rehabilitation Center is advised that an increase in equity may be necessary to assure the financial feasibility of the project.

6. The approved MCE does not include any capital expenditures associated with this project made prior to the date of DoN approval with the exception of expenditures incurred in the planning and development of the DoN application. Should Alden Court find that any of the expenses submitted are not in fact eligible for consideration because they preceded the date of the DoN application or are not capital expenses, Alden Court shall submit an amendment that will adjust the MCE accordingly. All submissions made to the Center of Health Information and Analysis pursuant to this DoN shall be in accordance with this condition.

The Applicant has agreed to these conditions.

Alden Court Nursing & Rehab Center ATTACHMENT II

Inflation from September-13
according to Marshall Valuation's Service Current Building cost indexes for
Fairhaven, MA 02719

Step 1 Eastern A

$$\begin{array}{rcl} \text{To July-17} & 3172.3 & \\ \text{From September-13} & 2992.9 & \\ \hline & & = 1.0599 \end{array}$$

Step 2 Local Multiplier only quarterly (Jan-Apr-Jul-Oct)

$$\begin{array}{rcl} \text{To July-17} & 1.16 & \\ \text{From September-13} & 1.16 & \\ \hline & & = 1 \end{array}$$

Step 3

$$\begin{array}{rcl} 1 & \times & 1.0599 \\ \text{Inflation factor to Use} & & = \underline{\underline{1.0599}} \\ & & \quad 5.99\% \end{array}$$

for Major Movable Equipment (\$3,180 per bed in January, 1993 dollars)

$$\begin{array}{rcl} \text{To July-17} & 3172.3 & \\ \text{From January-93} & 1507.5 & \\ \hline & & = 2.104 \end{array}$$

$$\begin{array}{rcl} \$3,180 & \times & 2.104 \\ & & = \underline{\underline{\$6,691}} \text{ per Bed} \end{array}$$

**Alden Court Nursing & Rehab Center
ATTACHMENT III**

Category of Expenditure	APPROVED MCE			MCE ADJ. FOR INFLATION			REQUESTED MCE			DIFFERENCE (C-B)		
	A - New	A - Renov	A - TOTAL	B - New	B - Renovation	B	C - New	C - Renov.	C - TOTAL	D - New	D - Renovation	D - Total
	Sep-13	Sep-13	Sep-13	Jul-17	Jul-17	Jul-17	Jul-17	Jul-17	Jul-17			
	APPROVED MCE	APPROVED MCE	APPROVED MCE	MCE ADJ. FOR INFLATION	MCE ADJ. FOR INFLATION	MCE ADJ. FOR INFLATION	REQUESTED MCE	REQUESTED MCE	REQUESTED MCE	DIFFERENCE (C-B)	DIFFERENCE (C-B)	DIFFERENCE (C-B)
Construction Costs:												
Land Costs												
1 Land Acquisition		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2 Site Survey and Soil Investigation			\$ -	-	-	-	\$ -	\$ -	-	-	-	-
3 Other Non-Depreciable Land Development a			\$ -	-	-	-	\$ -	\$ -	-	-	-	-
4 Total Land Costs (Lines 1 through 3)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Construction Costs:												
5 Depreciable Land Development Cost b		\$ 130,000	\$ 130,000	\$ -	\$ 137,787	\$ 137,787	\$ -	\$ 26,882	\$ 26,882	\$ -	\$ (110,905)	\$ (110,905)
6 Building Acquisition Cost			\$ -	-	-	-	\$ -	\$ -	-	-	-	-
7 Construction Contract New Construction (including bonding costs):			\$ -	-	-	-	\$ -	-	-	-	-	-
Use these costs to Renovation calculate plan review fee		\$ 1,662,840	\$ 1,662,840	-	1,762,444	1,762,444		\$ 1,792,629	1,792,629	-	30,185	30,185
8 Fixed Equipment not in Contract			\$ -	-	-	-	\$ -	\$ -	-	-	-	-
9 Architectural Cost (includes fees, printing, supervision, etc.) and Engineering Cost		\$ 20,000	\$ 20,000	-	21,198	21,198	\$ -	\$ 45,522	45,522	-	24,324	24,324
10 Pre-filing Planning & Development Costs		\$ 61,560	\$ 61,560	-	65,247	65,247	\$ -	\$ 46,479	46,479	-	(18,768)	(18,768)
11 Post-filing Planning & Development Costs		\$ 43,340	\$ 43,340	-	45,936	45,936	\$ -	\$ 45,867	45,867	-	(69)	(69)
12 Other (specify):	\$ -		\$ -	-	-	-	\$ -	\$ -	-	-	-	-
13 Other (specify):	\$ -		\$ -	-	-	-	\$ -	\$ -	-	-	-	-
13a Other (specify):			\$ -	-	-	-	\$ -	\$ -	-	-	-	-
13b Other (specify):			\$ -	-	-	-	\$ -	\$ -	-	-	-	-
13c Other (specify):			\$ -	-	-	-	\$ -	\$ -	-	-	-	-
14 Net Interest Expense During Construction c		\$ 53,565	\$ 53,565	-	56,774	56,774	\$ -	\$ -	-	-	(56,774)	(56,774)
15 Major Movable Equipment		\$ 382,886	\$ 382,886	-	405,821	405,821	\$ -	\$ 638,764	638,764	-	232,943	232,943
16 Total Construction Costs (lines 5 through 15)	\$ -	\$ 2,354,191	\$ 2,354,191	\$ -	\$ 2,495,207	\$ 2,495,207	\$ -	\$ 2,596,143	\$ 2,596,143	\$ -	\$ 100,936	\$ 100,936
Financing Costs:												
17 Cost of Securing Financing (Legal, Administrative, Feasibility Studies, Mortgage Insurance, Printing, Bond Discount	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
18 Bond Discount	\$ -	\$ -	\$ -	-	-	-	\$ -	\$ -	-	-	-	-
19 Other (specify)	\$ -	\$ -	\$ -	-	-	-	\$ -	\$ -	-	-	-	-
20 Total Financing Costs (Lines 17 through 19)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
21 Estimated Total Capital Expenditure (Lines 4 + Line 16 + Line 20)	\$ -	\$ 2,354,191	\$ 2,354,191	\$ -	\$ 2,495,207	\$ 2,495,207	\$ -	\$ 2,596,143	\$ 2,596,143	\$ -	\$ 100,936	\$ 100,936
Inflation - see Attachment II						5.99%				0.00	0.00	0.00
Number of Beds			0	0	0	0			0	#DIV/0!	4.05%	4.05%
Square Feet Approved			0	0	0	0	0	0	0	0	0	0
Interest rate								0.0%	0.0%			
Construction period (Months)								0	0			

CAPITAL COST ESTIMATE

MASSACHUSETTS DEPARTMENT OF PUBLIC HEALTH - DIVISION OF HEALTH CARE QUALITY
99 CHAUNCY STREET, 2ND FLOOR, BOSTON, MA 02111 (617) 753-7340

FORM 4 6-2000

Facility Name: Alden Court Nursing & Rehab Center DoN Project No.: 5-1574 Location: 389 Alden Road , Fairhaven, MA Zip Code: 02719

Gr. Sq. Ft¹ 0 #/Bed¹ 0 \$/Bed¹ #DIV/0! Sq.Ft./Bed¹ #DIV/0! (¹ excluding DoN exempt beds and outpatient services)

Category of Expenditure	New Construction Approved Costs* (Sep / 2013)	Renovation Approved Costs* (Sep / 2013)	New Construction Present Estimates** (Jul / 2017)	Renovation Present Estimates** (Jul / 2017)
(month & year dollars)				
<u>Land Costs:</u>				
1. Land Acquisition	\$ -	\$ -	\$ -	\$ -
2. Site Survey and Soil Investigation	\$ -	\$ -	\$ -	\$ -
3. Other Non-Depreciable Land Development ^a	\$ -	\$ -	\$ -	\$ -
4. Total Land Costs (Lines 1 through 3)	\$ -	\$ -	\$ -	\$ -
<u>Construction Costs:</u>				
5. Depreciable Land Development Cost ^p	\$ -	\$ 130,000	\$ -	\$ 26,882
6. Building Acquisition Cost	\$ -	\$ -	\$ -	\$ -
7. Construction Contract (including bonding costs): Use these costs to calculate plan review fee	\$ -	\$ 1,662,840	\$ -	\$ 1,792,629
8. Fixed Equipment Not in Contract	\$ -	\$ -	\$ -	\$ -
9. Architectural Cost (includes fees, printing, supervision, etc.) and Engineering Cost	\$ -	\$ 20,000	\$ -	\$ 45,522
10. Pre-filing Planning & Development Costs	\$ -	\$ 61,560	\$ -	\$ 46,479
11. Post-filing Planning & Development Costs	\$ -	\$ 43,340	\$ -	\$ 45,867
12. Other (specify): 0	\$ -	\$ -	\$ -	\$ -
13. Other (specify): 0	\$ -	\$ -	\$ -	\$ -
Other (specify): 0	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -
14. Net Interest Expense During Construction ^c	\$ -	\$ 53,565	\$ -	\$ -
15. Major Movable Equipment	\$ -	\$ 382,886	\$ -	\$ 638,764
16. Total Construction Costs (lines 5 through 15)	\$ -	\$ 2,354,191	\$ -	\$ 2,596,143
<u>Financing Costs:</u>				
17. Cost of Securing Financing (legal, administrative, feasibility studies, mortgage insurance, p	\$ -	\$ -	\$ -	\$ -
18. Bond Discount	\$ -	\$ -	\$ -	\$ -
19. Other (specify)	\$ -	\$ -	\$ -	\$ -
20. Total Financing Costs (Lines 17 through 19)	\$ -	\$ -	\$ -	\$ -
21. Estimates Total Capital Expenditure (Line 4+Line16+Line 20)	\$ -	\$ 2,354,191	\$ -	\$ 2,596,143

*Amount Approved by the Public Health Council

**Check as appropriate: ☐ Preliminary ☒ Updated ☐ Final ☐ Post-Final

^aExamples Other Non-Depreciable Land Development Costs: commissions to agents for purchase of land, attorney fees related to land, demolition of old buildings, clearing and grading, streets, removal of ledge, off-site sewer and water lines, public utility charges necessary to service the land, zoning requirements, and toxic waste removal.

^bExamples of Depreciable Land Development costs; construction of parking lots, walkways and walls; on-site septic systems; on-site water and sewer lines; and reasonable and necessary landscaping.

^cDescribe assumptions used in calculating interest rates and costs.

Inflation Factor Used: 5.99% If Final-Date DPH Final Plan Approval:

Contact Person:

Date:

Telephone #: