

**STAFF REPORT TO THE PUBLIC HEALTH COUNCIL
FOR A DETERMINATION OF NEED**

Applicant Name	Belmont Manor Nursing Home, Inc.
Applicant Address	34 Agassiz Avenue, Belmont MA 02478
Filing Date	December 26, 2019
Type of DoN Application	Long Term Care Substantial Capital Expenditure
Total Value	\$5,412,084.00
Project Number	19090415-LE
Ten Taxpayer Groups (TTG)	None
Community Health Initiative (CHI)	\$162,362.52 – Healthy Aging Fund
Staff Recommendation	Approval with Conditions
Public Health Council	April 8, 2020

Project Summary and Regulatory Review

Belmont Manor Nursing Home, Inc. (Applicant) submitted an Application for a Proposed Project to renovate its existing facility located in Belmont, MA. The Applicant proposes to construct a two-story addition with a basement/cellar to the existing facility. The new addition will allow for renovations within the facility including an improved bedroom layout, a new basement laundry facility, and additional visiting, dining, and common social areas. The capital expenditure for the Proposed Project is \$5,412,084.00; the Community Health Initiatives (CHI) contribution is \$162,362.52, which will go to the Healthy Aging Fund.

This DoN application falls within the definition of Substantial Capital Expenditure, which are reviewed under the DoN regulation 105 CMR 100.000. The Department must determine that need exists for a Proposed Project, on the basis of material in the record, where the Applicant makes a clear and convincing demonstration that the Proposed Project meets each Determination of Need Factor set forth within 105 CMR 100.210. This staff report addresses each of the six factors set forth in the regulation.

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APPLICATION OVERVIEW

Background: Belmont Manor Nursing Home

The Applicant is Belmont Manor Nursing Home (Belmont Manor), a three-story, rehabilitation and skilled nursing center located in Belmont, MA. The current facility is 59,214 gross square feet (GSF) and includes a full basement and two residential floors.

The Proposed Project is for the construction of a two-story addition with a basement to the facility. This will eliminate all remaining three-bedded rooms in the facility and increase the number of single and double rooms. The Applicant also proposes to add a laundry facility in the basement, expand visiting, dining, and common social areas, and update existing shower and bathing facilities to improve the quality of life for residents.

OVERVIEW of PROPOSED PROJECT AND FACTOR REVIEW: BELMONT MANOR

Description of Proposed Project Component	What's Needed to Meet Factor 1: Demonstration of need ; improved health outcomes and quality of life; assurances of health equity; continuity and coordination of care; evidence of community engagement; and competition on recognized measures of health care spending.	What's Needed to Meet Factor 2: Demonstration of cost containment, improved public health outcomes, and delivery system transformation.	Factors 3, 4 & 5 ¹	What's Needed to Meet Factor 6: Demonstration of plans for fulfilling ... responsibilities ... in the DPH Community-based Health Initiatives Guideline.
	<i>Staff Report finds</i>			
	MEETS w/CONDITIONS	MEETS	MEETS	MEETS
<p>Proposed project is for the construction of a two-story addition with a basement to the facility. This will address Patient Panel need and improve quality of life by</p> <ul style="list-style-type: none"> eliminating all remaining three-bedded rooms in the facility increasing the number of single and double rooms updating bathing facilities, dining and social areas 	<p>Within three months of receipt of the Notice of Determination of Need, consult with Office of Health Equity <u>and</u> implement, to the Office's satisfaction, any corrective measures needed regarding its interpreter services.</p>	✓	✓	✓

¹ 3: Sufficient evidence of compliance and good standing with federal, state, and local laws and regulations

4: Sufficient documentation of the availability of sufficient funds for capital and ongoing operating costs necessary to support the Project without negative impacts or consequences to the Applicant's existing Patient Panel

5: The ... Project, on balance, is superior to alternative and substitute methods for meeting ... Patient Panel needs.

Patient Panel²

The Applicant served 428 residents³ over the 36-month period covering 1/1/2017-12/31/2019. All of the residents are age 65 and older.

Table 1 below presents additional Patient Panel information.

Table 1: Overview of Belmont Manor Residents (2019)

2019	Belmont Manor
Gender	
Male	38%
Female	62%
Age	
65+	100%
Race/Ethnicity⁴	
White/Caucasian	98%
Black/African American	1%
Asian	1%
Patient Origin	
Middlesex County	78%
Payer Mix	
Commercial and Private Pay	68%
MassHealth	27%
Medicare	5%

The Applicant states that residents are admitted to Belmont Manor for two reasons, which are shown in Table 2 below.

Table 2: Types of Residents

Short-term stay residents (100 days or less) rehabilitation following acute-care hospital stay ⁵	Long-stay residents (over 100 days) admitted for skilled nursing care ⁶
Comprise 2% of residents	Comprise 98% of residents
Average length of stay - 26 days	Average length of stay - 581 days

² As defined in 105 CMR 100.100, Patient Panel is the total of the individual patients regardless of payer, including those patients seen within an emergency department(s) if applicable, seen over the course of the most recent complete 36-month period by the Applicant or Holder.

³ The Applicant calculated its Patient Panel by adding the number of new admissions to the facility in 2017, 2018, and 2019 to the total number of residents in 2017.

⁴ Based on self-reporting

⁵ The most common reasons for admission are rehabilitation, end of life care, skilled nursing care, and subacute care.

⁶ Skilled nursing care that cannot be provided in the home setting. These residents may require the specialty services offered in its Alzheimer's Unit for memory-care residents.

Factor 1a: Patient Panel Need

In this section, we assess if the Applicant has sufficiently addressed Patient Panel need for the proposed construction and renovations to the facility.

Patient Panel Need

The Applicant attributes the need for additional capacity to three interrelated factors:

- a) Need for nursing facility services in the Belmont community.
- b) Improving the built environment for skilled nursing facility residents; and
- c) Addressing a growing need by an aging population at risk for particular conditions and diseases

a) Need for nursing facility services in the Belmont community. The Applicant states that the lack of availability of skilled nursing facilities in the local community accounts for the continued demand for its services. The Applicant is the only skilled nursing facility in the town of Belmont. The Applicant states that it provides access to nursing facility services, Alzheimer's care, and rehabilitation services in an environment that promotes optimal functional ability, interdisciplinary care, and the integration and provision of community resources and education.

The Applicant has a 36-bed Alzheimer's Unit, which is a special care unit for memory impaired residents with its own separate activities/dining area, full-time Director and individual programs and care plans for residents.⁷ The Applicant is focused on all types of dementia, including Alzheimer's disease. Twenty-seven percent of the facility's residents are located in the Alzheimer's Unit. The Applicant argues that nursing homes play an important role in the health care of people with frailty, multiple co-morbidities, and complex conditions through serving as a setting for care and rehabilitation after an acute hospital stay and through providing skilled nursing to individuals that cannot be cared for in private homes and assisted living. The Patient Panel's Activities of Daily Living (ADL) needs are shown in Table 3 below.

Table 3: Activities of Daily Living (ADLs) Needs for the Patient Panel

ADLs	Percent of panel with need
Assist of one or two staff or dependent in bathing and dressing	100%
Assist of one or two staff members or dependent on staff for transferring	85.6%
Assist of one or two staff members or dependent on staff for eating	49%

The Applicant states it meets a growing need for services, citing a study stating that more than 17% of Americans over the age of 85 live in nursing facilities,^a and another which reported that almost half of all people turning 65 will enter a nursing home in their lifetime.^{b,c}

Finally, the Applicant stated that nursing homes also serve as a connection to community services, medical day care, home health care programs, and assisted living programs, which the Applicant states can delay and prevent institutionalization. According to the Applicant, Belmont Manor serves as a "hub for an array of community services." In response to staff inquiry, the Applicant listed the following activities that are supported by the facility: accepting High School and College student volunteers, holding The Belmont Garden Club monthly activity for residents, organizing the annual Alzheimer's Walk in collaboration with the town of Belmont, hosting an annual luncheon for the Council on Aging, and conducting monthly outings with the Perkins School for the Blind. The Applicant states that since it

⁷ The unit is a secure area.

has been in the community for 50 years, and remains the only long-term care provider in Belmont, the Proposed Project is the best option for addressing the needs of its Patient Panel.

- b) **Improving the built environment⁸ for skilled nursing facility residents.** The Applicant states that the built environment plays an important role for skilled nursing facility residents, especially those with Alzheimer's disease, which changes how seniors interpret their environment. The Applicant states that one of the goals of the project is to improve the community's well-being through improving the built environment, through construction of "aesthetically, health improved, and environmentally improved landscapes and living structures."^{d,e}
- **Eliminating three-bedded rooms.** The Applicant asserts that eliminating three-bedded rooms will improve the built environment for residents because single and double rooms assist with infection control, lead to a reduction in medical errors, and increase privacy and noise control. Currently 13% of the facility's residents are in three-bedded rooms and after implementation of the Proposed Project none will be in these rooms. These improvements will support residents' health, independence, and safety and will improve personal control for seniors with Alzheimer's disease.
 - Alzheimer's disease changes how seniors interpret their environment, which can lead to disorientation, stress, and isolation, and creating a positive environment can help reinforce well-being. The Applicant states that the tight confinement of space created by three-bedded rooms can lead to anxiety, stress and other negative influences that negatively impact health. In addition to eliminating the three-bedded rooms, the Applicant proposes to increase the total number of single and double-bedded rooms.
 - **Improved bathing facilities.** Currently, there are four shower rooms and four tub rooms. Through the Proposed Project, all of the shower and bathing facilities will be updated. The Applicant will be eliminating a shower room and a tub room and building four new shower rooms and two new tub rooms.
 - **Increased visiting, dining and common areas.** The Proposed Project will increase space in these areas. Eliminating one shower room and one tub room will allow for an increase in square footage of the Dining/Activity room on station two and four (where 72 residents are housed, many of whom have limited mobility). The Applicant asserts that these changes will allow for additional visiting and dining areas which will produce a larger space for families and increase socialization. The Applicant asserts these changes to the facility will increase physical activity among residents and social interaction, which support improved health outcomes. The Applicant argues residents will experience a person-centered positive environment that is dementia-friendly⁹ and will be more likely to remain active and engage in activities, which will also improve health outcomes.
- c) **Aging population at risk for particular conditions and diseases.** The Applicant states there is ongoing and increased demand for its services based on census projections and disease progression. The Applicant cited the following issues:
- Population projections show that in Massachusetts, the age 65 and older population is expected to increase from 15% (2015) to 21% by 2030.^f Reports on aging in Massachusetts state that the fastest rate of growth is in the eight-five and older population, and that this age group is most likely to have complex healthcare needs.^g
 - Older adults in Massachusetts face significant challenges: nearly two out of three older adults have four or more chronic conditions; and one in eight older adults have dementia.^h In 2019, there are approximately 130,000 individuals age 65 and older living with AD in Massachusetts and that

⁸ The built environment includes all of the physical parts of where we live and work (e.g., homes, buildings, streets, open spaces, and infrastructure). <https://www.cdc.gov/nceh/publications/factsheets/impactofthebuiltenvironmentonhealth.pdf>

⁹ A "dementia friendly community" is informed, safe, and respectful, and enables people living with dementia and those who care about them to live full, engaged lives. <https://www.mass.gov/files/documents/2018/06/14/MA%20State%20Plan%20on%20Aging%202018-2021%20Approved.pdf>

number is projected to increase to 150,000 by 2025.ⁱ The community estimate (Belmont) of people age 65+ with Alzheimer's disease or related dementias is 12.3% and the state estimate is 13.6%.^j

- Chronic disease affects 80% of adults age 60 and over.^k
- At the national level, more than 50% of nursing home residents have some form of dementia or cognitive impairment^l; nearly 80% of the Belmont Manor Patient Panel has some form of dementia or Alzheimer's disease.

Analysis

Long-term care is a means through which older people with a significant loss can still experience healthy aging, and one way in which this can be achieved is through providing appropriate environmental support^m such as those proposed by the Applicant. It is important to ensure that long-term care facilities provide an environment to ensure that quality of life is optimized in advancing age;ⁿ an appropriate physical environment can encourage and support independence and promote safety.^o The Applicant effectively outlined the need to improve the built environment; staff concurs that meeting these needs are critical.

Staff also notes that these improvements meet CMS rules and Massachusetts' standards for long-term care facilities. State regulations, which adopt the CMS standards, state that "in the event of new construction or reconstruction, as defined by CMS, of a building or nursing care unit, each of the affected resident bedrooms may not contain more than two beds."¹⁰

A recent report stated that the increasing older population in Massachusetts will create additional challenges to the healthcare system, and noted that one of the most significant age-related conditions is dementia.^p Nursing facilities like Belmont are one service type of a continuum of Long-Term Services and Supports (LTSS) available to this population. It is important to note that as the aging population increases, there will be an increasing reliance for all types of LTSS.^{q,11}

Factor 1: b) Public health value, improved health outcomes and quality of life; assurances of health equity

The Applicant asserts that the Project will enable it to better meet to need for quality skilled nursing and long-term care services, improving both health outcomes and quality of life of the Patient Panel in a number of ways:

- **Improved quality of life.** An improved built and social environment for residents, which will enhance the quality of life for all residents.
- **Improved health outcomes.** Eliminating three-bedded rooms will improve health outcomes for residents, including improved infection control and noise control. The Applicant affirms that the Proposed Project will improve the overall well-being and health of its residents and that this will in turn reduce the likelihood of hospitalization. In addition, increased and enhanced open spaces will reduce the likelihood of unintentional injury, and likelihood of hospitalization.
- **Improved patient satisfaction.** The Applicant states it will assess the impact of the proposed changes through administering a Resident and Family Customer Feedback Survey upon project completion. These surveys, which cover satisfaction, will be mailed to resident care givers, family members, and residents when appropriate.

¹⁰105 CMR 150.320(B): STANDARDS FOR LONG-TERM CARE FACILITIES

¹¹ Long-term services and supports (LTSS) encompass a variety of health, health-related, and social services that assist individuals with functional limitations due to physical, cognitive, or mental conditions or disabilities.

Analysis

Staff has reviewed the Applicant's assessment of the impact of its built environment on the quality of life and health outcomes of its residents and concurs with its assessment. A report focusing on the impact of the physical environment on resident and staff outcomes in different long-term care facilities stated that "environment is being increasingly accepted as an important component in supporting wellness and health among residents in long-term care environments"^s For example, quiet(er) environments are associated with a higher level of orientation for residents with dementia.^{s,t}

Moreover, the facility ranks highly on quality of care based on state and national assessments; which staff expects will continue with the Proposed Project. The Commonwealth's Nursing Home Surveillance Performance Tool¹² found that the facility performs above the state average on its annual performance survey.^{13,u} On the CMS Nursing Home Compare,¹⁴ Belmont Manor has a 5-star overall rating.^v

Finally, staff notes that reducing avoidable hospitalizations is "an important aspect of improving care and quality of life for long-stay residents of nursing facilities"^w and lowers costs for Medicare and Medicaid.^x Nursing Home Compare data^y shows that Belmont's percentage of short-term stay residents who were hospitalized after a nursing home admission (30.6%) was slightly higher than the Massachusetts (24.4%) overall; while the number of hospitalizations or ED visits per 1000 long-stay resident days was lower than the state average.

Through the Proposed Project, staff finds Applicant will be able to make improvements to the environment for its Patient Panel and these improvements have been shown to improve quality of life and health outcomes. The Applicant will assess the impact of the Proposed Project on its Patient Panel through administering satisfaction surveys.

Social Determinants of Health (SDoH)

The Applicant described its efforts around health equity and SDoH. As a participant in the Medicare/Medicaid program, the Applicant notes it is bound, through the conditions of participation, prohibited from discriminating against any person on the basis of race, color, national origin, disability, sex (or gender identity), or age.

Health Equity

Upon initial inquiry about an admission, which is handled by the Admission Coordinator or Administrator, the facility asks about the language spoken by the potential resident and about the need for interpreter services. If such services are needed, the Applicant will provide a bilingual staff member who can interpret¹⁵ or through an interpreter telephone service. The Applicant provides information about interpretive services and assistive devices in the admission packet, and this is reviewed with the resident and their responsible party at the time of admission. The need for these services is reviewed again at quarterly plan meetings. The Applicant states that a resident and their responsible party can request interpretive services or assistive devices at any time during the resident's stay. The Applicant states that the facility has not had any requests for language services in the past three years.

¹² The Nursing Home Survey Performance Tool compiles information about Massachusetts nursing homes from recertification and complaint surveys. The tool evaluates 132 items that have been reviewed during the last 3 standard surveys (44 selected items on each survey).

¹³ Overall Performance Summary: This nursing facility met 125 out of the 132 key requirements in all five categories in its last three surveys. The number of deficiencies not met as a result of complaint investigations is: 1. The facility's score is 122 after adjustment for scope and severity. 48% of all facilities had a score of 122 or lower. The statewide average facility score is 120.

¹⁴ Nursing Home Compare is a federal resource of the Centers for Medicare and Medicaid (CMS) that contains detailed information about nursing homes nationwide. It presents publicly available standardized quality information and provides information on how well Medicare- and Medicaid-certified nursing homes provide care to their residents.

¹⁵ Belmont Manor NH staff language capabilities include Spanish, French, Portuguese, French Creole, and Haitian.

Analysis: Health Equity and SDoH

While a telephone interpreter service is sometimes used, staff notes that the facility relies on bilingual staff (untrained in medical interpretation) to provide linguistic assistance. This practice has been shown to be associated with a number of problems related to poor quality communication and care and breaches of confidentiality¹⁶. Staff has determined the Applicant's interpreter services program is not ensuring appropriate access for residents and therefore, is not providing reasonable assurances of health equity on a consistent basis. To demonstrate compliance with Factor 1(b), Staff recommends that as a Condition of Approval, within three months of receipt of the Notice of Determination of Need, consult with Office of Health Equity and implement, to the Office's satisfaction, any corrective measures needed regarding its interpreter services.

With this Condition, staff finds that the Applicant has sufficiently outlined at a high level, a case for improved health outcomes as well as health equity.

Factor 1: c) Efficiency, Continuity of Care, Coordination of Care

Continuity and Coordination of Care

The Applicant states it will ensure continuity and coordination of care through existing standing relationships with healthcare providers who provide services to its residents, care planning processes, and through its discharge processes.

- The Applicant will continue to collaborate with providers on care transitions and access to care and expressed its commitment to work with the additional healthcare systems in the Belmont area. The Applicant gains access to clinical/medical records when residents seek outside care through a secure fax and/or secure website. The Applicant asserts that through its long-standing relationship with the Belmont Council on Aging, it partners on various functions including sponsoring meals.
- The Applicant asserts that every individual admitted¹⁶ to the facility is assessed and that services are set up as needed. An interdisciplinary care planning process includes all aspects of a resident's care including social, psychosocial, and spiritual well-being. Care coordinators work closely with a social worker to ensure continuity of care. This is facilitated through daily morning meetings with the entire team, through the nightly reports that are provided to all managers, and through quarterly care plan meetings after admission.
- Discharge planning¹⁷ occurs at various stages during a resident's stay. Care coordinators and social workers assist residents in accessing local resources and supports so that services are set up prior to discharge back to the community. When a resident is returning to the community, the facility ensures that it is appropriate, that all nursing care has been completed and that notices have been given. A social worker follows up with the resident by phone 1-2 weeks post discharge to ensure the transition went as planned. A social worker will perform a warm hand off when residents are discharged to another nursing home and make a follow up call 1-2 weeks after transfer. When a resident is discharged to a Hospital or on bed hold¹⁸, the Unit Manager, the resident's responsible party, and the Admission Coordinator and Administrator follow up by phone.

Efficiencies in Care

The Applicant states the addition of a laundry facility will also address efficiency concerns. Staff currently transports soiled linens through various parts of the building. The addition of a laundry facility will result in

¹⁶ The Applicant receives referrals through secure fax, or online referral services and this is reviewed by the Admission Coordinator or Administrator.

¹⁷ The Applicant states that 90% of short-term residents returned to the community.

¹⁸ CMS requires each state Medicaid plan to address bed-hold policies for hospitalization and periods of therapeutic leave. State plans vary in payment for and duration of bed-holds. However, federal regulations do not require states to pay nursing facilities for holding beds while the resident is away from the facility. https://ltcombudsman.org/uploads/files/support/BedHoldPolicy_by_State_2019.pdf

a more efficient use of space and the service components will be centrally located. The Applicant asserts that the addition of a laundry chute will reduce the risk of cross contamination and minimize workplace injuries because staff will no longer need to transport the laundry bags.

Analysis

Staff finds that the Applicant's care coordination and discharge processes will contribute positively to efficiency, continuity and coordination of care. Care coordination needs for residents in long-term care facilities is particularly important:

- It often involves providing support for transitions to multiple facilities for a patient population with mental and memory disorders and physical conditions;^{aa}
- At points of transition, residents, their family, and other informal caregivers, experience failures in coordination particularly at points of transition;^{bb} and
- Transitions of care are particularly difficult for residents with dementia.^{cc}

Staff concurs that the facility's collaboration with existing providers on care transitions, interdisciplinary care planning and the use of care coordinators and social works support effective transfer of information between providers and facilities and linkages to social services and supports for residents that are discharged back to the community. Finally, an improved facility design, as well as the new laundry facility is likely to enable greater efficiency for resident care

Factor 1: d) Consultation

The Applicant has provided evidence of consultation, both prior to and after the Filing Date, with all government agencies that have licensure, certification, or other regulatory oversight, which has been done and will not be addressed further in this report.

Factor 1: e) Evidence of Sound Community Engagement through the Patient Panel

The Department's Guideline¹⁹ for community engagement defines "community" as the Patient Panel, and requires that at minimum, the Applicant must "consult" with groups representative of the Applicant's Patient Panel. Regulations state that efforts in such consultation should consist of engaging "community coalitions statistically representative of the Patient Panel."²⁰

The Applicant stated that those consulted are from the same community from which the Patient Panel originates and thus are representative of the facility's Patient Panel. The Applicant:

- engaged with referral sources, municipal officials, the Belmont Fire Department, and the Office of Community Development to review and discuss the Proposed Project. Such meetings provided opportunity for comment and discussion;
- conducted an open house in which two people attended; and
- called neighbors and abutters and requested to meet with them in their homes and responded to questions; they subsequently provided letters of support.

From these meetings, the Applicant determined that the renovations to the facility would enhance the social and built environment.

¹⁹ Community Engagement Standards for Community Health Planning Guideline. <https://www.mass.gov/doc/community-engagement-guidelines-for-community-health-planning-pdf/download>

²⁰ DoN Regulation 100.210 (A)(1)(e). <https://www.mass.gov/files/documents/2018/12/31/jud-lib-105cmr100.pdf>

Analysis

Staff reviewed the information on the Applicant's community engagement and finds that the Applicant has met the minimum required community engagement standard of *Consult* in the planning phase of the Proposed Project.

Factor 1: f) Competition on price, total medical expenses (TME), costs and other measures of health care spending

The Applicant asserts that through the Proposed Project, it will continue to compete based on price, TME, costs and other measures of health care spending because it will continue to provide high-quality, cost-effective services in the community in a post-acute care setting. The Applicant proposes three reasons to support its assertion that the Proposed Project will compete on the basis of price and other recognized measures of health care spending:

- The Applicant pointed to the Factor 4 analysis, which provides data in support of the Applicant's assertion that the costs at Belmont Manor are slightly higher than its competitors in the Skilled Nursing Facility Arena in the county. The Applicant points to the table from page four of the CPA analysis, some of which is displayed below in Table 4.

Table 4: Expenses per Patient Day

	2018			
	Belmont Manor Nursing Home	Middlesex, MA 25 th percentile	Middlesex, MA 50 th percentile	Middlesex, MA 75 th percentile
Total Costs per Patient Day	\$306	\$209	\$248	\$289

- The Applicant also pointed out that receiving skilled nursing and rehabilitation services in facilities like Belmont Manor may contribute to cost savings with Medicare and Medicaid, by enabling a quicker discharge of patients from hospitals to nursing homes, where rehabilitation costs are lower.^{dd}
- In addition, rehabilitation costs for care received at Belmont appear to be less than local long-term acute care hospitals (LTCHs)^{21,22}. In response to staff inquiry, the Applicant provided a comparison of the cost per episode of a common procedure, "Hip and femur procedures except major joint" post-acute care costs provided at Belmont Manor versus an Acute Care Setting. The information is derived from Medicare Part A claims data and shows that care provided at Belmont Manor is more cost effective than when it is provided in the acute care setting, based on comparisons to local LTCHs.
- The only change to the operating costs resulting from implementation of the Proposed Project will be the addition of an FTE nurse, and minor increases to food and supply accounts for the additional beds. The Applicant asserts that the Proposed Project will improve the well-being of the Patient Panel and their health outcomes; this will help to avoid or reduce higher cost acute hospitalization stays. In addition, the new laundry facility with new equipment will be more cost-effective to operate and will contribute to cost containment and efficiencies.

²¹ LTCHs specialize in treating patients that are hospitalized for more than 25 days.

²² Episode analysis for inpatient and post-acute care provided by Belmont Manor in the 90 days following an inpatient stay treating Hip and femur procedures except major joint.

Analysis

The proposed improvements to the facility have the potential to improve health outcomes and quality of life of the Patient Panel, which can help to reduce the total costs of care. It is also clear that receiving rehabilitation services in facilities like Belmont Manor may contribute to cost savings with Medicare and Medicaid, by enabling quick discharge of patients from hospitals to nursing homes, where rehabilitation costs are lower.^{ee}

Description of suggested Conditions, FACTOR 1

As a result of information provided by the Applicant and additional analysis, staff finds that with the condition outlined below, the Applicant has demonstrated that the Proposed Project meets Factors 1(a-f). Staff recommends adding one Condition requiring specific reporting, described fully under Findings and Recommendations:

- Within three months of receipt of the Notice of Determination of Need, consult with the Department's Office of Health Equity and implement, to the Office's satisfaction, any corrective measures needed regarding its interpreter services.

Factor 2: Cost containment, Improved Public Health Outcomes and Delivery System Transformation

Cost Containment

The Applicant states that the Proposed Project will help it to continue to provide high-quality, cost-effective care for short-term and long-term residents in the community setting. The Project will enable it to continue to align with the cost containment goals of Massachusetts through its ability to provide, as noted above, the less expensive care than care within LTCHs and by enabling quicker discharge of patients from hospitals.^{ff}

Analysis: Cost Containment

Staff finds that the Applicant has adequately explained how it aligns with cost containment goals. Staff notes that Medicaid is the most important payer for nursing homes, covering a greater proportion of costs than individuals and families pay out-of-pocket^{gg}. In CY 2017, Medicaid financed 30% of nursing home care;^{hh} this rate is similar for Belmont's residents.

Improved Public Health Outcomes

The Applicant reiterated the resident outcomes already outlined above through the reconfiguration of space, which include improved quality of life through increasing privacy, reducing noise, increasing social interaction and physical activity, and enhanced infection control.

Analysis: Public Health Outcomes

The 2020 Report of Massachusetts Nursing Home Task forceⁱⁱ noted the importance of

- having quality nursing facilities and rest homes available for those who need this level of care
- promoting high quality care in nursing and rest homes

It is clear that the Applicant intends to continue its quality care through an improved built environment. Moreover, the room re-configuration will address factors related to the spread of infections within the healthcare setting, including prevention, monitoring/investigation, and management.

Staff also notes that nursing facilities are one service type of a continuum of Long-Term Services and Supports (LTSS) that are covered by MassHealth. It is important to note that as the aging population

increases, there will be an increasing reliance for all types of LTSS.^{jj,23} While informal caregivers are often used by the elderly/older adults,^{24,kk} the availability of potential family caregivers to arrange, coordinate, and provide LTSS is expected to decline and care burdens will likely intensify.^{ll,25} As a part of the continuum of LTSS, it is critical to continue to support high quality nursing facilities.

Delivery System Transformation

Overall, the Applicant notes this will be addressed through linking short term residents to social service programs through its care coordinators and social workers, described above.

Analysis: Delivery System Transformation

Central to the goal of Delivery System Transformation is the integration of social services and community-based expertise. The Applicant has described how residents in the panel are assessed and how linkages to social services organizations are created. This has the potential to improve the continuity of care when shorter term residents are discharged back to the community or receive care in other settings.

Summary, FACTOR 2

As a result of information provided by the Applicant and additional analysis, staff finds that with the conditions outlined below, the Applicant has demonstrated that the Proposed Project meets Factor 2.

Factor 3: Relevant Licensure/Oversight Compliance

The Applicant has provided evidence of compliance and good standing with federal, state, and local laws and regulations and will not be addressed further in this report.

Factor 4: Demonstration of Sufficient Funds as Supported by an Independent CPA Analysis

Under factor 4, the Applicant must demonstrate that it has sufficient funds available for capital and operating costs necessary to support the Proposed Project without negative effects or consequences to the existing Patient Panel. Documentation sufficient to make such finding must be supported by an analysis by an independent CPA

The CPA analysis included a review of numerous documents in order to form an opinion as to the feasibility of the Proposed Project included two reports²⁶:

- Independent Accountant's Compilation Report and Projected Financial Statements²⁷
 - Years ending December 31, 2019 through December 31, 2023
- Consulting Report - Benchmarking Management's Projected Financial Analysis
 - Years ending December 31, 2019 through December 31, 2023

²³ Long-term services and supports (LTSS) encompass a variety of health, health-related, and social services that assist individuals with functional limitations due to physical, cognitive, or mental conditions or disabilities.

²⁴ As one example, 2019 data suggest there are an estimated 340,000 informal caregivers in Massachusetts for individuals living with Alzheimer's disease, and these caregivers provide 387 million hours of unpaid care *Alzheimer's Association. Massachusetts Alzheimer's Statistics. Available: <https://www.alz.org/getmedia/5583a1f4-ad0a-4c87-8b87-0580b04c782f/massachusetts-alzheimers-facts-figures-2019>*

²⁵ People aged 80 years and older are the most likely to need LTSS. As the population in this age group increases during the next 20 years, the number of people in the primary caregiving years (ages 45–64).

²⁶ The Applicant stated that it provided to reports in order to comply with the requirements at is outlined in Factor 4 of the DON Regulation (compilation performed in accordance with the attestation standards established by the American Institute of Certified Public Accountants (AICPA) and various financial information which may not be addressed in the compilation) and to provide the Department with a complete financial picture of the Proposed Project.

²⁷ Financial Statements: Projected Financial Statements, Projected Statements of Operations, Projected Statements of Changes in Stockholder's Deficit, Projected Statements of Cash Flows, and Summary of Significant Projection Assumptions and Accounting Policies.

The financial projection presents the expected financial position, results of operations and cash flows for the five years ending December 31, 2019 through 2023 (Projection Period).^{28,29} ALL CPAs read the financial projections³⁰ prepared by Belmont Manor, Inc. (Management) from 2019 through 2023 and benchmarked the stabilized year of Management's projection.³¹ Providers in Middlesex County were used to benchmark Management's projections. Belmont Manor's 2018 Medicare and Medicaid cost report data was compared to Middlesex County Medicare and Medicaid cost report data for the same period of 2018. The data was projected out to 2023 with an applied 2% revenue inflation factor and 3% expense inflation factor.

Projected revenue consists of revenue from operating the Facility. The CPA summarized Belmont Manor's 2018 data compared to 2018 Middlesex County data for beds and occupancy, payer mix and revenues per patient day. The numbers were inflated out for Middlesex County to compare to Belmont's projection to 2023. Operating expenses were projected to be recognized during the month incurred. The specific basis for inflationary increases in major expense categories were formulated by Management. The CPA report provided a summary of Belmont Manor's data compared to 2018 Middlesex County data expenses by patient per day. The CPA observed Belmont has a higher overall cost structure both historically and in its projections; and Belmont Manor does not anticipate any changes in its cost structure due to the renovation.

In benchmarking management's projected financial analysis, the CPA analyzed Management's past and present operating and capital budgets. The past and present operating budgets were consistent with results in management's projected financial analysis and there are no significant plans to alter operations that would impact care. Belmont Manor does not maintain formal capital budgets and the CPA reported that Belmont Manor intends to invest in the built environment of the residents at amounts consistent with prior spending levels. CPA analyzed Belmont Manor's balance sheets in benchmarking management's projected financial analysis. CPA reviewed a liquidity ratio for prior years (2017 and 2018) and the last year of the projection (2023) and found them to be consistent.

The CPA reported on Belmont Manor's actual and projected EBIDA³² Margin against the Middlesex County Median EBIDA Margin and noted the following: Belmont has achieved a higher EBIDA due to its higher occupancy and private mix and Belmont Manor is greater than the 75th percentile and is projected to remain that way due to occupancy projection (97.50%). In conclusion, the CPA reports, the financial analysis of the project indicates that it is consistent with past and present operating budgets, management has no significant plans at this time to materially alter operations, and benchmarking results, "are indicative that the care provided to the Patient Panel will remain consistent and unlikely to be negatively impacted by the proposed project."

With the CPA analysis, staff has determined that the Applicant has provided sufficient documentation of the availability of sufficient funds for capital and ongoing operating costs necessary to support the Proposed Project without negative impacts or consequences to the Applicant's Patient Panel.

²⁸ CPA notes that a projection is subject to one or more assumptions and that Management included several assumptions that are considered hypothetical assumptions as defined by the American Institute of Certified Public Accountants; Guide for Prospective Financial Information. CPA Report, page 9.

²⁹ The projection assumes that the Project will be financed by a Construction Loan, secured by a second mortgage on the real property in the amount of approximately \$4,500,000, capital contributions from shareholders of \$400,000 and remaining funds from operations of the Company. The \$326,000 of existing pre-planning construction in progress costs were funded via operations prior to the Projection. The Applicant has a \$500,000 revolving line of credit with a bank available to fund working capital needs. The Projection assumes an outstanding balance of \$250,000 and an estimated interest at a rate of 5.25%.

³⁰ The financial projection presents the expected financial position, results of operations and cash flows for the five years ending December 31, 2019 through 2023 (Projection Period).

³¹ CPA consultant report notes that the key financial performance indicators (KPIs) benchmarked in the report have historically been accepted in the industry as an indicator of operational performance and financial health. Generally, applicants performing at or above this threshold are indicative of adequate financial capacity and capability to support a new project and investment.

³² EBIDA is a measure of a company's operating performance.

Factor 5: Assessment of the Proposed Project's Relative Merit

The Applicant considered two alternatives to the Proposed Project: do nothing or rebuild the facility.

- The Applicant states that forgoing the Proposed Project and continuing with the existing facility would prevent it from improving the quality of services and addressing the healthcare needs of the community that were identified.
- The Applicant states that pursuing the second alternative would have required securing additional land because there isn't enough land on site to replace the current facility. The Applicant noted the capital costs of implementing the Proposed Project are less costly and less disruptive to the residents than replacing the facility in a new location.

Staff agrees that the above alternative of replacing the facility or construction of a new facility in another location will not adequately address Patient Panel need for high-quality community-based services. As a result of information provided by the Applicant and additional analysis, staff finds the Applicant has reasonably met the standards of Factor 5.

Factor 6: Fulfillment of DPH Community-based Health Initiatives Guideline

The Community Health Initiative (CHI) component of the DoN regulation requires Long-Term Care Facilities, which are not deemed Conservation Projects, to contribute 3% of the total value of the project, to a CHI Healthy Aging Fund. Payment may be made in full at the time of project approval or in 2 equal installments with the first payment due at the time of receipt of a duly-approved Notice of Determination of Need (or upon receipt of a payment letter from DPH), and the second, on the first anniversary of the Notice. The Applicant has chosen to pay in two equal installments. Any deviation to this payment schedule will require program approval. For this proposed Long-term Care Facility Project, the CHI contribution will be \$162,362.52. Based on the Applicant's compliance with the above requirement, the Applicant meets the terms of Factor 6.

Findings and Recommendations

Based upon a review of the materials submitted, Staff finds that, with the addition of the recommended condition detailed below, the Applicant has met each DoN Factor for the Proposed Project, and recommends that the Department approve this Determination of Need, subject to all applicable standard and Other Conditions.

Condition

In order to demonstrate that Proposed Project will add measurable public health value in terms of providing reasonable assurances of health equity, the Holder shall, within three months of receipt of the Notice of Determination of Need, consult with the Department's Office of Health Equity and implement, to the Office's satisfaction, any corrective measures needed regarding its interpreter services.

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