



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

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MONICA BHAREL MD, MPH
Commissioner

July 25, 2017

VIA EMAIL

Nina Edwards, Esq.
Donoghue Barrett & Singal
One Beacon Street, Suite 1320
Boston, MA 02108-3106

Re: Brighton Health Group, LLC- Immaterial Change - Project #3-1573.1

Dear Ms. Edwards:

This letter is in response to your request submitted on behalf of Brighton Health Group, LLC, d/b/a Presentation Rehabilitation and Skilled Care Center ("Holder") for an amendment to its approved Determination of Need ("DoN") Project #4-1573 ("Project"). The approved DoN authorizes new construction and renovations to a 122 bed long-term care facility located at 10 Bellamy Street, Brighton, MA. Your request, received on June 30, 2017, is for an Immaterial Change to the Project pursuant to 105 C.M.R. §§ 100.635(A)(1).

Background

On December 10, 2013, the Holder received approval for new construction and significant renovations to its existing facility. The purpose of the approved Project was to improve the physical plant including decreasing the number of beds per room through the construction of a three story addition that would enable the replacement of 17 beds. The maximum capital expenditure ("MCE") in the approved DoN was \$13,372,718 (September 2013 dollars) and the approved gross square feet ("GSF") was 10,687 GSF of new construction, and 44,006 GSF of renovations.

This is a request pursuant to the DoN regulation in effect as of January 2017. The relevant portion of the regulation requires that the Holder "submit to the Department a written attestation describing the proposed change and associated costs...[along with] a narrative comparison of the approved project and the proposed Immaterial Change" and that the Department "determine in writing whether the proposed change or modification is Immaterial, whether it falls within the scope of the Notice of DoN as previously approved by the Department, and whether the proposed change is reasonable".
105 CMR 100.635(A)(1)(the "Regulation")

Proposed Amendment

The Holder states that certain unforeseen circumstances arose during Phase 1 which have required adjustments within several of the approved costs categories. Those circumstances include: longer-than-anticipated time and higher costs to secure a special permit for construction work; substantial increases in the cost of electronic systems including the Wanderguard system, the use of which was originally for a single unit and has been expanded to apply to the entire facility; and an increase in its interest expenses as a result of delays related both to permitting and to the staging of work to accommodate residents of the facility. These circumstances give rise to the Holder's request for adjustments to the costs of the Project with no changes to the project scope.

This request for Immaterial Change includes both adjustments in cost allocation among or between architectural costs, construction contract, fixed equipment, and site services that does not result in any increase in the MCE; and a change in the MCE to the extent of the inflation adjustment provided. Both of those elements are contemplated by the Regulation and included in the definition of Immaterial Change. (See Chart below for the line item changes requested)

Analysis

The approved MCE of \$13,372,718 (September 2013 dollars) when adjusted for inflation is \$14,151,963 (June 2017 dollars). As shown below the current projected costs are overall 5.5% below the inflation adjusted approved costs.

	Inflation- Adjusted <u>Jun-17</u>	Projected <u>Jun-17</u>	Difference %
Land Costs:			
Land Acquisition	1,587,407	1,500,000	-5.5%
Site Survey and Soil Investigation	13,228	12,500	-5.5%
Other Non-Depreciable Land Development	7,937	7,500	-5.5%
Total Land Costs	1,608,572	1,520,000	-5.5%
Construction Costs:			
Depreciable Land Development Cost	878,365	1,010,000	15.0%
Construction Contract (Including bonding contract)	9,419,672	8,496,522	-9.8%
Pre-Filing Planning & Development	42,331	43,000	1.6%
Post-Filing Planning and Development	74,079	130,000	75.5%
Other: IT, EMR, Security	241,286	399,000	65.4%
Other: Furnishings, Signage	309,015	224,750	-27.3%
Net Interest Expense During Construction	592,632	689,500	16.3%
Major Movable Equipment	761,615	779,538	2.4%
Total Construction Costs	12,318,995	11,772,310	-4.4%

Total Financing Costs	224,396	80,408	-64.2%
Total MCE	\$14,151,963	\$13,372,718	-5.5%

Certain increases reflected in the chart above exceed the inflation adjustment from the time of project approval to the date of this request, June 2017. The Holder provided an explanation of the increases over the inflation adjusted amount. To accommodate these cost increases, the Holder reduced costs in other areas that do not adversely impact patient safety or quality of care.

Given the unforeseen increases in technology costs, and the higher permitting costs and interest expense during construction, these costs are both reasonable and within the scope of the original application and meet the definition of an Immaterial Change amendment.

Finding

Based upon the information reviewed, the Department finds that the requested change is immaterial; falls within the scope of the Notice of Determination of Need as previously approved by the Department; and that the proposed change is reasonable.

Pursuant to 105 CMR 100.635(A)(1), the Department approves this Immaterial Change to Project #4-1573. The approved MCE shall be \$13,372,718 (June 2017 dollars). The approved GSF shall be 10,687 GSF of new construction, and 44,006 GSF of renovations.

All other terms and conditions of the originally approved Determination of Need and prior amendments apply.

Sincerely,



Monica Bharel, MD, MPH
Commissioner

cc: Alice Bonner, EOE
Stephen Davis, HCFLC
Daniel Gent, HCFLC
Sherman Lohnes, HCFLC
Patty McCusker, CHIA
Kate Mills, HPC
Eric Gold, AGO
Thomas Lane, MassHealth
Rebecca Rodman, Deputy General Counsel