

Memorandum to the Commissioner

APPLICANT: Deutsches Altenheim, Inc.
2222 Center Street
West Roxbury, MA 02132

PROJECT NUMBER: #4-1586.2 (Minor Change)
#18111411-AM

DATE OF APPLICATION: November 14, 2018

Introduction

This memorandum presents, for Commissioner review and action, the Determination of Need (DoN) Program's recommendation in connection with a request by Deutsches Altenheim, Inc. d/b/a German Center for Extended Care (German Center or Holder) in West Roxbury, MA, for a Minor Change amendment to its previously approved DoN. As proposed, the Holder seeks approval for certain repairs and renovations that were unforeseen at the time of project approval. The Proposed Project would generate an incremental increase in the maximum capital expenditure (MCE) of \$262,784, for a total to-date of \$6,927,418 (October 2018 dollars).

This request falls within the definition for Minor Change¹ because the change amounts to less than a 10% increase in the maximum Capital Expenditure, and therefore will be reviewed pursuant to 105 C.M.R. 100.635(A)(2), which requires that the proposed Minor Change falls within the scope of the original Notice of Determination of Need and is reasonable. The Department has received no public comment on this request for Minor Change. By regulation, a Minor Change must be reviewed by the Commissioner.

Background

Deutsches Altenheim, Inc. is a licensed 133-bed long-term care facility that is located in West Roxbury. In March 2015, the Department approved a DoN for the renovation of 58,905 gross square feet (GSF) of an existing 103,191 GSF facility. Since that time, the Department approved one Minor Change amendment that included both a change in financing from cash to a long-term tax-exempt bond and unforeseen capital expenses related to compliance with updated codes.

¹ "...Any increase in the maximum Capital Expenditure of up to 10% of the inflation adjusted originally approved total expenditure and decreases in the maximum Capital Expenditure. An increase shall be allowed only for contingencies that could not have been reasonably foreseen, that are not reasonably within the control of the Holder..." 105 CMR 100.100

The chart below provides the sequence of the previous amendments including the increases in MCE with shows that there have been no increases in GSF proposed for this Project.

	Approval Date	Total GSF	Renovation GSF	Approved MCE
DoN #4-1586	03/2015	103,191	58,905	\$5,875,011
	12/2016	103,191	58,905	\$6,664,634
Proposed Amendment		103,191	58,905	\$6,927,418*
				*October 2018 Dollars

Proposed Amendment:

The Holder seeks a Minor Change amendment to remedy various issues related to the building that were encountered while the approved renovation was underway and thus, the Holder argues could not have been reasonably foreseen at the time of the original DoN. These include: replacing wiring and egress lighting, and replacing a failed grease trap system in the kitchen, all as required by the fire code; repairing pipes and resulting water damage to offices, hallways, exterior walls and patio; replacing the primary food transport system (a dumb waiter that has failed) that supports food preparation; and following these renovations, replacement of the furnishings due to age and wear and tear.

The Holder is requesting an increase in major movable equipment to upgrade the current IT system. This, the Holder states, will support compliance with patient documentation requirements.

Finally, the Holder is requesting approval of an increase in net interest expense of \$146,656 because the project was budgeted to take 9 months and has, due to the extended period of renovation, more than doubled the originally projected time.²

The Holder suggests that many of these proposed changes are required by code and local safety officials and all of them will improve patient quality of life and safety.

Impact on Costs

The regulation requires that a Holder submit a description of the proposed change along with any cost implications. With this Amendment, the Holder requests an increase in the approved MCE of this renovation from \$6,664,634 to \$6,927,418, an increase of \$262,784. This is a 3.94%

² Originally projected to be to be nine months and has been 20 months

increase over the inflation-adjusted³ amount, which is within the 10% maximum threshold of the requirements of a Minor Change amendment.

The capital cost elements of this amendment will be reviewed by MassHealth. If they are acceptable, and if the facility has not reached the capital cost cap, those components will be incorporated into its capital cost component.

Findings and Recommendation

Based upon the information submitted, the Department can find that the these changes are necessary in order to complete the implementation of the originally approved DoN; that the increase in costs is the result of contingencies that could not have reasonably been foreseen at the time of the original DoN, either having been a result of water damage, changes in code, or the passage of time; and that the request is both reasonable and within the scope of the original DoN as required in 105 C.M.R. 100.100 and 100.635(A)(2).

All conditions of the approved DoN 4-1586 and subsequent amendment remain in effect.

³Based on the Marshall and Swift valuation using a regional and community inflation multiplier of 2.67%- From December 2016 to October 2018.