**Memorandum to the Commissioner**

**Applicant:** Lasell Village, Inc.

120 Seminary Avenue

Newton, MA 02466

**Facility:** Lasell House

120 Seminary Avenue

Newton, MA 02466

**Project Number:** NONE-24030510-CL

**Filing Date:** September 17, 2024

**Introduction**

This memorandum presents, for Commissioner review and Final Action, the Determination of Need (DoN) Program’s recommendation regarding a request by Lasell Village, Inc. (Applicant) for approval of a Conservation Project related to its Medicare certified skilled nursing facility, Lasell House, located in Newton, MA (Lasell House). The Conservation Project proposes to change the existing facility space and modify the twenty-five (25) total bedrooms with thirty-eight (38) licensed Level II beds to instead accommodate twenty (20) bedrooms with twenty-three (23) licensed Level II beds. (Proposed Project). This decrease in licensed beds allows the facility to meet the licensure requirements for long-term care facility resident rooms established in 105 CMR 150.000 (Bedroom Requirements) and supports isolation precautions, as clinically appropriate. The capital expenditure for the Proposed Project is $6,703,239.35. Staff finds the Applicant has presented sufficient information to support the position that the Proposed Project fits within the definitions in the DoN Regulation of Sustain and/or Restore; that this proposed Conservation Project is necessary to maintain the original functionality of the facility, and does not add any new beds, services or capacity.

This Application is presented as a Conservation Project, which means “Construction that consists solely of a project(s) that would Sustain or Restore a Health Care Facility or service for its designated purpose, and to its original functionality, without Modernization, Addition, or Expansion.” Pursuant to 105 CMR 100.210(B)(2), Factors 1, 2, and 5 do not apply to Conservation Projects. Therefore, Staff reviewed this proposal in the context of Factors 3- Compliance, 4- Financial Feasibility, and 6- Community Health Initiatives. Pursuant to 105 CMR 100.630, this Application has been delegated by the Department for review and Final Action by the Commissioner.

**Background**

Applicant, Lasell Village, Inc., a registered 501(c)(3) corporation, is a nonprofit continuing care retirement community (CCRC), sponsored by Lasell University and located on the University’s 13 acre campus. The Applicant states that as a CCRC, Lasell Village offers a range of housing and healthcare to its residents so that they may be able to age in place, as their care needs evolve. In addition to Lasell House, the campus includes 182 independent living units and nine supportive living units.

The Applicant submitted Lasell Village, Inc.’s DoN approval obtained in 1996 for an Original License to construct and operate a SNF that is now known as Lasell House (1996 DoN), pursuant to the DoN Guidelines for CCRCs (CCRC Guidelines) in place at the time of approval.[[1]](#footnote-2) In accordance with the CCRC Guidelines, three conditions were imposed by the 1996 DoN approval for Lasell House’s Original License: 1) Preclusion from seeking Medicaid reimbursement for nursing care delivered in its nursing facility; [[2]](#footnote-3) 2) Requirement to obtain Medicare certification for its licensed Level II beds[[3]](#footnote-4); and 3) Exemption from community health initiatives (CHI).[[4]](#footnote-5) This memorandum recommends the three conditions of the 1996 DoN approval for Lasell House’s Original Licensure remain intact.

Lasell House, the subject of this Proposed Project, provides short-term rehabilitation services, long-term skilled nursing, hospice, and respite care. The Applicant maintains Lasell House is available to both independent living residents of Lasell Village seeking short-term care at Lasell House after a hospital visit as well as residents who remain at Lasell House permanently for skilled nursing care. The Applicant states that Lasell House was constructed in 2000; the existing facility has one nursing unit on the third floor of a multi-use building encompassing 13,528 gross square feet (GSF), and there have been no additions to the facility since the original construction. The current facility has 38 Level II beds and the current bed configuration is 12 private rooms and 13 semi-private rooms. Lasell House is rated five out of five stars on the Centers for Medicare and Medicaid Services (CMS) Star rating[[5]](#footnote-6) and scores 128 points out of 132 points on the Massachusetts Nursing Home Scorecard.[[6]](#footnote-7) The statewide average facility score is 116.

The Applicant states that residents of Lasell House are primarily from Newton, Wellesley, Weston and those residing in the Lasell Village community. Payor mix is 56% Medicare A, 12% Private Pay, 8% Managed Care (includes contracts with Harvard Pilgrim, United Healthcare, Tufts Health Plan, and Aetna), and 24% Lasell Villagers.[[7]](#footnote-8) The Applicant states that certain Lasell Villagers that are at Lasell House for short-term care are included in the payer mix categories Medicare A and Managed Care. The Applicant affirms the Proposed Project will improve the quality of life of residents of Lasell House and resident experience by creating a more home-like environment, and that it is not attempting to change the payor mix of the facility.

The Applicant states that there were 1,183 admissions to Lasell House between December 2021 and December 2024. The following facilities contributed to total admissions to Lasell House in 2023: Newton-Wellesley Hospital (39%), Mass General Brigham (21%), Beth Israel Deaconess Medical Center (16%), New England Baptist (9%), and Other (15%).[[8]](#footnote-9),[[9]](#footnote-10) In addition, 14% of the patients admitted to Lasell House, reside in Lasell Village. The Applicant states further that in 2023, Lasell House received an average of 316 referrals per month and an average of 30 admissions per month. Of the referrals, 67% of the referrals the facility received were from the following six acute care hospitals: Beth Israel Deaconess Medical Center (23%), Newton-Wellesley Hospital (14%), Beth Israel Deaconess Hospital – Needham (14%), Brigham and Women’s Hospital (6%), Massachusetts General Hospital (5%), and Tufts Medical Center (5%).

The Applicant states that the typical resident mix by diagnosis is orthopedic (joint replacements, fractures related to injury), surgical (general surgery, cardiac surgery), and medical (respiratory, metabolic, cardiac). Short-term Medicare A and Managed Care patients are admitted for rehabilitation services, including physical, occupational, and speech therapy. The Applicant states that the average length of stay at the facility for short-term residents over the previous 12 months was 16.15 days, and the average length of stay for the facility’s current long-term residents was 3.11 years.

The Applicant states that Lasell House operates in a highly competitive market with four competitor facilities totaling 491 beds within a three-mile radius of Lasell House. These facilities include West Newton Healthcare in Newton, MA with 116 beds; Stone Rehab and Senior Living in Newton, MA with 82 beds; Care One Newton in Newton, MA with 141 beds; and Elizabeth Seton in Wellesley, MA with 84 beds.

**The Proposed Project**

Through the Proposed Project, the Applicant aims to make phased renovations to the third floor of Lasell House. The Applicant represents the Proposed Project is necessary for resident comfort, to meet Bedroom Requirements, and to support isolation precautions, as clinically appropriate. The Applicant’s stated goal is to restore and sustain aging elements of the facility to improve the environment for patients and to make a more efficient environment for staff to work.

The Applicant states the Proposed Project will include renovations to the physical plant, and upgrades will reduce maintenance and utility costs, including a new roof and energy efficient windows. The Applicant states the renovations do not include new construction or additions to the existing facility. The square footage of the facility will increase by 515 square feet from 13,528 to 14,043. This increase reflects the relocation of the tub room, soiled linen room and storage area to a lower level.

Currently, Lasell House has 25 bedrooms that can accommodate up to 38 residents in licensed Level II beds. Through the Proposed Project, the Applicant plans to decrease the licensed Level II bed count of the facility from 38 to 23 and decrease the total number of bedrooms from 25 to 20 (17 private rooms and three semi-private rooms). The semi-private rooms will either accommodate two residents or allow for a couple to remain together as they age through the Continuum of Care. Additionally, the Applicant states that increasing the number of private rooms for patients no longer requiring acute care supports appropriate level of care and availability of hospital-based services to other patients. The Applicant further states that infection and infectious disease management is an integral part of the care provided, and the increase in the number of private rooms will allow the facility to better accommodate patients with infections requiring a private room for isolation precautions or for other reasons.

Currently, each of the existing bedrooms currently have a toilet and sink, but only one of the 25 bedrooms has its own shower. As a result, patients are currently transported to the tub/shower room to shower increasing waits for showers. Following the phased renovation, each bedroom will have a full bathroom including toilet, sink, and shower. The Applicant states that a select number of rooms will also be outfitted with additional structural blocking within the ceilings to accommodate Hoyer lifts in the future if they are needed. Hoyer lifts provide support when a resident cannot safely bear weight or transfer safely. The tub room will be relocated to the lower level within the same building and located directly off the elevator.

Currently, two bedrooms share a single thermostat control, and as part of the proposed renovations, each resident bedroom will be equipped with its own thermostat to improve patient comfort.[[10]](#footnote-11)

The Proposed Project includes additional changes: relocating the nurse’s station and the two charting stations and integrating a linen chute (removing the need for soiled linen closets). Service spaces will include a rehabilitation gym, dining space with nourishment kitchen, clean linen[[11]](#footnote-12), medication room, oxygen storage[[12]](#footnote-13), general storage, and public bathrooms.

The Applicant expects that the Proposed Project will be completed in three Phases: 1, 2a/2, and 3, with an end date of 2027. The three phases will be completed during the following time frames: Phase 1 - September 2025 to January 2026; Phase 2a/2 - January 2026 to September 2026; and Phase 3 - October 2026 to April 2027. The Applicant outlined processes that the facility will use to minimize disruption of patient care and ensure patient safety and well-being during construction. The Applicant plans to reduce the bed count during the construction process and notes that Lasell Village will still be able to accommodate the needs of long term and short-term residents of Lasell House, including through the temporary use of other comparable facilities in accordance with standard practice. The Applicant states further that no resident will be discharged from the facility to accommodate the Proposed Project, and discharges will occur under normal circumstances. The Applicant states that to ensure patient safety, it will be maintaining the facility’s current staffing levels during implementation of the Proposed Project and will be taking specific measures in the facility during construction to isolate construction zones.

**Factor 3**

The Applicant has certified that it is in compliance and in good standing with federal, state, and local laws and regulations, including, but not limited to M.G.L. c. 30, §§ 61 through 62H and the applicable regulations thereunder, and in compliance with all previously issued notices of Determination of Need and the terms and conditions attached therein.

Staff finds the Applicant has met the requirements of Factor 3.

**Factor 4**

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 conducted by an independent CPA.

The Applicant submitted a report performed by John P. Sanella, CPA (CPA Report). The scope of the analysis and conclusions in the CPA Report are based upon a detailed review of all relevant information, including financial projections (projection years ending 2025 through 2029) and the related supporting documentation.[[13]](#footnote-14)

*Long Term Liabilities*

The CPA reviewed Long Term Liabilities (New and Existing) to determine whether the Applicant will likely have sufficient funds to maintain the renovations associated with this Proposed Project. Lasell Village is planning a renovation and expansion of its facilities across the CCRC’s campus. The expansion includes renovation and construction of 42 additional independent living units, the addition of seven supported living apartments, and the Proposed Project, described in further detail above. The CPA report states that the total project is estimated to be approximately $100M, and includes the financing for the Proposed Project.[[14]](#footnote-15),[[15]](#footnote-16) The Total Value of the Proposed Project that is captured on the DoN application form only reflects the costs of the Proposed Project, which is $6,703,239.35.

*Basis for Projection of Revenues and Expenses*

The CPA reports that projected revenue consists primarily of residential and supported living fees, along with net patient service and health care services. The CPA reports that baseline revenue projected for 2024 were based on financial data from the current period 2023 and Management of Lasell Village, Inc’s (Management’s) historical experience of operating the Facility. The CPA states that this information was used to project and establish a baseline for the year ending June 30, 2024. Future years were projected utilizing assumptions for rate increases and operating expenses and any known changes for operating the renovated Facility during the Projection Period.

Management calculated the baseline revenues for the year ending June 30, 2024, utilizing current reimbursement and economic conditions, and current nursing home regulations. Payor rates are expected to increase by 3.25% per year throughout the projection. Independent living revenue is expected to increase 4% per year and supported living revenue is expected to increase by 3% per year. Other revenue, including investment income, is based on $40M of long-term investments after construction, assuming a spending policy of 4.5% and a long term investment return of 4%.

*Operating Expenses*

Operating expenses, captured from actual operations for the fiscal year ended June 30, 2023, were classified as independent living (IL) labor, supportive living (SLU) labor, SNF labor, Non-labor, and food. Inflation assumptions used were 3.25% for IL labor, 4% for SLU labor, 3% for SNF labor, 3% for Non-labor, and 4% for food.

*Salaries and Related Taxes and Benefits*

Salaries were assumed to increase through the Projection Period consistent with increases in operating expenses. Employee benefits were assumed to approximate 25% of wages during the Projection Period.

*Operating Assets and Liabilities*

Accounts receivable is expected to increase as more units are placed in service. Accounts payable and accrued expenses are expected to remain at current supportable amounts.

As a result of the foregoing, the CPA determined that “*Based upon my review of the relevant documents and analysis of the projected financial statements, I determined the Projections operating surpluses are reasonable expectations based upon achieving the hypothetical assumptions that Management has included in the Projections. Accordingly, I determined that the Projections are financially feasible and sustainable and not likely to have a negative impact on the Patient Panel.”*

Staff finds the Applicant has met the requirements of Factor 4.

**Factor 6**

The Applicant is a Long-Term Care Facility (LTCF) applying for a Conservation Project. Traditionally, LTCFs completing a Conservation Project would contribute 1% of total project costs to the Statewide Funds. As discussed above, the Applicant has prior conditions under the approval for DoN application #4-1299 exempting the Applicant from Community Health Initiatives. Staff recommends that this condition apply to the instant DoN, exempting the Applicant from CHI for the Proposed Project, as well.

Staff finds the Applicant is exempt from the requirements of Factor 6.

**Findings and Recommendation**

Based on a review of the materials submitted, the Department finds that the Proposed Project has met each applicable DoN Factor and recommends that the Commissioner approve this Application for Determination of Need, subject to all Standard Conditions as provided in the Regulations except for 105 CMR 100.310(A)(10) and the conditions imposed in the DoN approval for DoN application #4-1299 dated January 22, 1996, as described above.

1. DoN Application #4-1299 [↑](#footnote-ref-2)
2. Condition #4: The applicant shall not admit Medicaid patients or seek Medicaid funds for residents of the CCRC. The applicant, as a Type “A” CCRC long term care facility granted Unique Application status, is precluded from accepting Medicaid patients. [↑](#footnote-ref-3)
3. Condition #8: The applicant shall obtain Medicare certification for its Level II beds. [↑](#footnote-ref-4)
4. Reason #11 for Approval with Conditions: The project is exempt from Community Health Initiatives. [↑](#footnote-ref-5)
5. Data last updated: April 24, 2024. The rating, between 1 to 5 stars, combines results and data from 3 important sources, including: Health inspections, Staffing, and Quality measures. A star rating is calculated for each of these 3 sources, along with an overall rating. [↑](#footnote-ref-6)
6. The Maximum Possible Score that a facility can achieve is 132 points. The tool includes information from the 3 most recent standard surveys and information from all complaint surveys performed after or within one year of the most recent standard survey. Five categories (Administration, Nursing, Resident Rights, Kitchen/Food Services, and Environment) are reported and there are 132 scored items (3 surveys x 44 requirements). [↑](#footnote-ref-7)
7. Lasell Villagers refers to Lasell Village CCRC members who have been admitted to Lasell House. [↑](#footnote-ref-8)
8. The Applicant states that the category “Other” refers to those hospitals that occasionally refer to Lasell House and for which Lasell House has only received one admission. [↑](#footnote-ref-9)
9. The facility participates in the referring hospital’s ACO/PHO waiver program. The Applicant states that this waiver program is intended to reduce unnecessary hospital days by waiving the 3-day rule requirement, which reduces the number hospital days required for Medicare beneficiaries to access their skilled nursing benefit. [↑](#footnote-ref-10)
10. The applicant states that additional design features will be incorporated to support a homelike environment for residents, including warm and inviting finish materials, new beds, bedside cabinets, bureaus, chairs, and window treatments in resident rooms, new furniture, tables and other accessories for common areas. [↑](#footnote-ref-11)
11. The Applicant states that the designation of a space for clean linen is done in accordance with DPH plan review guidance and Medicare Requirements of Participation for SNFs, both of which require clean linen be kept separate from contaminated linen. [↑](#footnote-ref-12)
12. The Applicant states that a designated room for oxygen storage helps to reduce the risk of fire hazards, accidents, or injuries related to mishandling pressurized tanks. [↑](#footnote-ref-13)
13. Reasonableness is defined within the context of this report as supportable and proper, given the underlying information. Feasibility is defined as based on Management achieving the hypothetical assumptions used, the plan is expected to result in “sufficient funds available for capital and ongoing operating costs necessary to support the Proposed Project without negative impacts or consequences to the Applicant’s existing Patient Panel” (per Determination of Need, Factor 4(a)). [↑](#footnote-ref-14)
14. The CPA Report states that the expansion project will include the purchase of land for approximately $15M which will be financed with a line of credit which will be subsequently refinanced with the 30 year permanent debt. According to the documents reviewed by the CPA, the Projection assumes that the Project will be financed by a Construction loan ($50M) which will be repaid upon the receipt of the entrance fees in the new independent living units, capital project financing ($50M) with a 30-year term, and line of credit (LOC) refinancing ($20M) also with a 30-year term. [↑](#footnote-ref-15)
15. The Applicant states that Lasell Village will issue tax-exempt bonds in early fiscal year 2025 and that the proceeds will be used to finance the planned campus expansion including the Proposed Project, throughout the construction period. [↑](#footnote-ref-16)