

## **Memorandum to the Commissioner**

**Applicant:** Long Term Centers of Wrentham, Inc. d/b/a Serenity Hill Nursing and Rehabilitation Center  
655 Dedham Street  
Wrentham, MA 02093

**Project Number:** NONE-23040210-AM

**Filing Date:** August 11, 2023

### **Introduction**

This memorandum presents, for Commissioner's Review, the Determination of Need (DoN) Program's recommendation pertaining to a request for an Amendment by Long Term Centers of Wrentham, Inc. for a Significant Change to its previously approved DoN (Project #22032815-CL). The Amendment is for an incremental decrease in the maximum Capital Expenditure from \$7,043,250 to \$4,573,402 (-35%), resulting in a decrease in the community health initiatives (CHI) contribution from \$70,432.50 to \$45,734.02. As described further herein, Long Term Centers of Wrentham, Inc. seeks approval for a decrease in the maximum Capital Expenditure without a change in scope.

This Amendment request falls within the definition for Significant Change that includes "...Any increase or decrease in the maximum Capital Expenditure over 10% of the inflation adjusted originally approved total 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, as determined by the Commissioner," and will be reviewed pursuant to 105 C.M.R. 100.635(A), as the proposed change falls within the scope of the Notice of Determination of Need and is reasonable.

The Department has received no public comment on this request for Significant Change.

### **Background**

In August of 2022, Long Term Centers of Wrentham, Inc. received DoN approval for a substantial capital expenditure for a Conservation Project<sup>1</sup> for renovations and construction at

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<sup>1</sup> 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), Staff reviewed the Application in the context of Factors 3- Compliance, 4- Financial Feasibility, and 6- Community Health initiatives and was delegated by the Department for review and Final Action by the Commissioner.

Serenity Hill Nursing and Rehabilitation Center (the Facility) (located at 655 Dedham Street Wrentham, MA 02093). The Project was necessary to de-densify resident rooms to come into compliance with new Department of Public Health (DPH) de-densification licensure requirements for long-term care facilities set out in 105 CMR 150 (the “De-Densification Requirements”). The Facility is comprised of 40 Level III licensed beds within one nursing unit on the first floor of the Facility. The nursing unit has one private room; two semi-private rooms; five three-bed rooms, and five four-bed rooms. The Holder proposed constructing a 15,210 square foot addition to the existing structure to house 34 beds, including relocating 15 beds from the three and four-bedded rooms and required support areas, in order to comply with the Department’s De-Densification Requirements. The addition would also include twelve additional beds under the facility’s one-time regulatory allowance, bringing the facility from 40 to 52 beds. The proposed bed configuration will not change.

The approved Capital Expenditure for the project was \$7,043,250. Through this Significant Change Amendment, the Holder seeks approval for a decrease in the Capital Expenditure for the Project to \$4,573,402 (June 2023 Dollars).

### **Proposed Amendment**

The Holder states that a reduction in the Capital Expenditure resulted from its effort to pursue a more cost effective project through securing several bids from design/construction companies to determine the feasibility of implementing the project as proposed. The Holder ultimately decided to develop the new plans in conjunction with South Coast Improvement Company, which has done previous work on Serenity Hill Nursing and Rehabilitation Center and whose familiarity with the physical plant of the facility resulted in a reduction in project costs.

The Holder states that the new plan will reduce the square footage of the project from 15,210 square feet to 12,000 square feet. The Holder asserts that the reduction in square footage will still allow Serenity Hill to come into compliance with regulation requiring the elimination of three and four bedded rooms, and that the beds from the three and four bedded rooms will be moved to the new addition, as planned.

### **Impact on Cost**

The Holder provided a comparison of Approved and Requested Capital Expenditures to demonstrate the major changes in previously Approved and Proposed Projects. This is shown in Table 1.

**Table 1: Comparison of Approved and Requested Capital Expenditures for Select Components**

<b>SERENITY COMPARISON APPROVED VS. REQUESTED</b>				
	<b>APPROVED</b>	<b>REQUESTED</b>	<b>DIFFERENCE</b>	<b>% Change</b>
Depreciable Land Development Costs	1,046,975	350,918	-696,057	-66%
Architectural Cost	348,500	99,414	-249,086	-71%
Construction Costs	3,768,625	2,838,773	-929,852	-25%
Contingency	0	393,165	393,165	N/A
Management Fee	0	217,781	217,781	N/A

Pre-Filing Planning and Development Costs	879,150	673,351	-205,799	-23%
Other Upgrades	1,000,000	0	-1,000,000	-100%
<b>TOTAL</b>	<b>7,043,250</b>	<b>4,573,402</b>	<b>-2,469,848</b>	<b>-35%</b>
<b>CHI CONTRIBUTION</b>	<b>70,432.50</b>	<b>45,734.02</b>	<b>-24,698</b>	<b>-35%</b>

The Holder notes that operating costs will be comparable to those outlined in the previous application, and that savings are likely to result from mechanical/energy/HVAC upgrades. In terms of cost implications to the Holder's Patient Panel, approximately 89%<sup>2</sup> of the Patient Panel receive coverage through Medicare and Medicaid, where reimbursement and cost-sharing are set, and the remaining 11% private pay patients, will experience annual increases based on inflation.

### **Impact on Community Health Initiative Funding**

The Community Health Initiative (CHI) component of the DoN regulation requires Long Term Care Facilities completing a Conservation project to contribute 1% of the total value of the project to the CHI Healthy Aging Fund. On August 29, 2022, the Holder's conservation project application was approved with an initial CHI contribution of \$70,432.50. The Holder chose to pay for this CHI contribution in two equal installments of \$35,216.25, with the first payment due within six months of receipt of DoN approval (February 2023), and the second, on the first anniversary of the Notice (August 2023). As of September 2023, the Holder has not submitted any payment to Health Resources in Action (HRIA) to fulfill the initial CHI payment requirements.

In order to stay in compliance with the initial project and amendment conditions, the amended CHI contribution amount of \$45,734.02 must be paid in one installment within 30 days of amendment approval. Any deviation from this payment schedule will require program approval. Additionally, pursuant to the Regulation, ongoing compliance with the conditions outlined above is a precondition to the filing of any future DoN by the Holder.

Based on the Holder's compliance with the above requirement, the Holder meets the terms of Factor 6.

### **Findings, Recommendations, and Conditions of Approval**

Staff reviewed the 2022 Staff Memorandum and Decision Letter of Approval to determine whether the request falls within the scope of that Approval. Staff determined that there are no additional gross square feet, service or programmatic changes that would change the scope of the project.

Based upon the information submitted, the Department can find that the "the proposed change or modification falls within the scope of the Notice of Determination of Need as

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<sup>2</sup> Current public payer mix is 83.3.% Medicaid and 5.5% Medicare.

previously approved by the Department, and ... is reasonable" 105 C.M.R. 100.635(A) which are requirements for approval of an Amendment.

**Conditions to the DoN**

All conditions from the original DoN approval remain in effect.

**Other Conditions to the DoN**

1. The total CHI contribution of \$45,734.02, will be directed to the Massachusetts Healthy Aging Fund.
2. To comply with the Holder's obligation to contribute to the Massachusetts Community Health and Healthy Aging Fund, the Holder must submit payment to Health Resources in Action (the fiscal agent for the Statewide Funds) in one installment of \$45,734.02 as follows:
  - a. The Holder must submit the check to HRiA within 30 days from the date of the approved Notice of Determination of Need.
  - b. The Holder must promptly notify DPH (CHI contact staff) when payment has been made.

Payment should be sent to:  
Health Resources in Action, Inc. (HRiA)  
2 Boylston Street, 4th Floor  
Boston, MA 02116  
Attn: Ms. Bora Toro