

**Memorandum to the Commissioner**

**Applicant:** Royal Wayland Nursing Home LLC  
188 Commonwealth Avenue  
Wayland, MA 01778

**Facility:** Royal Wayland Nursing & Rehabilitation Center

**Project Number:** NONE-22091314-CL

**Filing Date:** November 29, 2022

**Introduction**

This memorandum presents, for Commissioner review and action, the Determination of Need (DoN) Program’s recommendation regarding a request by Royal Wayland Nursing Home LLC for approval of renovations and construction at Royal Wayland Nursing & Rehabilitation Center. The Proposed Project includes renovations of the patient care unit and construction of an addition designed to create the space 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 Applicant is also proposing to use its one-time regulatory allowance to add twelve beds. The capital expenditure for the project is \$8,262,515. The CHI commitment is \$82,625.15. The Applicant is a for-profit corporation organized under existing law of the Commonwealth of Massachusetts.

On April 28, 2021, DPH issued a memo<sup>1</sup> noting that construction or renovations at a long-term care facility that is planned solely to reduce the number of beds per room to come into compliance with the De-Densification Requirements set out in 105 CMR 150 are considered Conservation projects for the purposes of applying for a Notice of DoN. Conservation Projects are defined as “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.”<sup>2</sup> The construction included in this Proposed Project is solely to enable the facility to come into compliance with the updated De-densification Requirements and is therefore appropriately submitted as a Conservation Project. 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.

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<sup>1</sup> [Long Term Care Notice](#)

<sup>2</sup> [105-CMR-100 Regulation](#)

## **Background**

The Applicant, Royal Wayland Nursing Home LLC, is a for-profit, limited liability corporation doing business as Royal Wayland Nursing & Rehabilitation Center. The facility was purchased by the Royal Health Group in 2016 and was formerly known as Wayland Nursing and Rehab Center. The facility is licensed as a Dementia Special Care Unit (DSCU) serving a primarily a geriatric population.

The single-story facility was constructed in 1966 and is comprised of one unit with 40 Level II licensed beds. The current configuration of rooms and beds includes 4 private rooms, 8 two-bedded rooms, and 5 four-bedded rooms. Because of the state's new de-densification licensure requirements prohibiting the placement of residents in three and four-bedded rooms, the facility's allowable bed capacity without the Proposed Project would be reduced by 10 beds. The Applicant states that a 30-bed facility would not be able to accommodate the demand for admissions.

Despite admission limitations from COVID-19, the facility has been able to maintain approximately 85% occupancy. Resident and staff COVID-19 vaccination rates at the facility are above the national and state averages, as demonstrated by Care Compare. The facility cites the installation of a state-of-the-art air purification system Needlepoint Bipolar Ionization (NPBI) installed in the air handler system in February 2021 as an example of their focus on infection control safety measures. This new system improves air quality in the facility and provides additional protection to residents, staff, and family members.

The average age of Royal Wayland residents is 79 years. The average length of stay (ALOS) in Fiscal Year (FY)2022 was 106 days. In FY2022, the facility provided 54% Long Term Care services and 46% Short Term Rehabilitative services. The payor mix shows that the majority (76%) of Royal Wayland facility residents were covered by Medicaid, 3% were covered by Medicare, 5% were covered by Managed Care, and 15% were private pay residents.

## **The Proposed Project**

Through the Proposed Project, the Applicant aims to bring the facility into compliance with the De-Densification Requirements through renovation and construction of a new addition to its Dementia Special Care Unit (DSCU). The Applicant seeks to use its one-time regulatory allowance to add twelve beds to the currently licensed 40 beds, for a total of 52 beds. The expanded and renovated facility will have 4 private (single) bedrooms and 24 two-bedded rooms on one floor. The Applicant states that all 52 beds will be both Medicaid and Medicare certified. Upon Staff request, the Applicant provided historical and projected payer mix patient data demonstrating that in the first three years of post-project operation, it intends to maintain its current level of Medicaid patients. The projections also reflect an increase in the number of Medicare and private pay patients.

**Table 1: Royal Wayland Average Number of Patients By Payer<sup>3</sup>**

Payer	CY2019	CY2020	CY2021	CY2022	Year 1 Post-Project Operation	Year 2 Post-Project Operation	Year 3 Post-Project Operation
Medicaid	27.38	23.20	27.69	25.89	24.19	27.79	25.30
Medicare	1.06	1.70	1.02	1.64	3.02	5.56	6.56
Managed Care	.19	.44	.17	.65	1.35	2.78	3.75
Private Pay	2.74	2.88	3.89	4.59	5.04	10.19	11.24
<b>Total</b>	<b>31.37</b>	<b>28.22</b>	<b>32.78</b>	<b>32.78</b>	<b>33.60</b>	<b>46.32</b>	<b>46.85</b>

The conservation project will renovate 13,066 square feet of the existing facility and add 8,031 square feet of new construction, resulting in a 21,097 square foot facility. The new addition will include 52 Memory Care beds on one unit with continued licensure as a DSCU. The Applicant outlined processes that will be used to minimize disruption of patient care and ensure patient safety and well-being during construction.

Staff finds that the Applicant has presented sufficient information to support the position that the proposed construction 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.

**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.

**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 Marcum LLP (CPA Report).<sup>4</sup> The scope of the analysis and conclusions in the CPA Report are based upon a detailed review of all relevant

<sup>3</sup> Historical numbers based 82% occupancy pre-Covid-19 and projected numbers assumed a 92% Post Project occupancy rate, as noted in the CPA Report.

<sup>4</sup> 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)).

information, including financial projections (projections covered calendar years ended 2025 through 2029) and the related supporting documentation.

The CPA reports that the projected revenue consists primarily of net patient service revenue. Projected revenues are based on historical information, current available reimbursement rates, expected changes to reimbursement rates, and best assumptions for changes in reimbursement rates, payor mix, and occupancy.

The CPA reviewed the projected expenses in comparison to historical financial data provided by the Applicant, inflationary factors utilized and categorization of variable expenses versus fixed used to project the five-year period. Due to the current conditions of excess inflation and staffing shortages, management expects expenses to increase steadily over the five-year period with the first year of post-construction operation in 2025.<sup>5</sup>

The CPA also reviewed past and present capital expenditures and cash flow to determine whether the Applicant will likely have sufficient funds to service the debt. The projected financing assumes a twenty-year amortization at an interest rate of 5%. Based upon this review of these assumptions, the CPA determined that the length of the loan and the interest rate appear reasonable. In response to Staff questions, Applicant further states that it anticipates that the resulting Medicaid maximum capital rate of \$37.50 per day will fully cover the renovated facility's capital cost, providing greater accessibility for Medicaid-funded patients.

*As a result of the foregoing, the CPA stated "Based upon the related financial information provided, the Projections illustrate a trend of continued increases in revenues and net for the five years from 2025 through 2029. Based upon our analysis of the relevant documentation provided and the projections prepared, we determined the anticipated operating margin is within reasonable expectation and based upon feasible financial assumptions. Accordingly, we determined that the Projections are reasonable and feasible, and not likely to have a negative impact on the Patient Panel or result in significant liquidation of assets of the Center."*

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

#### **Factor 6**

The Community-based Health Initiative (CHI) component of the DoN regulation requires Long Term Care Facilities, such as Royal Wayland Nursing Home LLC, completing a Conservation Project to contribute 1% of the total value of the project, to the CHI Statewide Community Health and Healthy Aging Fund.

Payment shall be made in full in two equal installments with the first payment due within 30 days of receipt of a duly approved Notice of Determination of Need, and the second, on the first anniversary of the approved Notice of Determination of Need. Any deviation to this

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<sup>5</sup> The inflation factors used were 2.25% in year 2025 and 2.00% for the years 2026 through 2029.

payment schedule will require program approval. For this proposed Conservation Project, the CHI contribution will be \$82,625.15. Based on the Applicant's compliance with the above requirement, the Applicant meets the terms of Factor 6.

### **Findings**

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 Other Conditions set out below.

### **Other Conditions**

#### CHI Contribution

1. The total required CHI contribution of \$82,625.15 will be directed to the Massachusetts Statewide Healthy Aging Fund.
2. To comply with the Holder's obligation to contribute to the Massachusetts Statewide Community Health Funds, the Holder must submit the first installment, a check for \$41,312.57, to Health Resources in Action (the fiscal agent for the CHI Statewide Initiative).
  - a. The Holder must submit the funds to HRiA within 30 days from the date of the Notice of Approval.
  - b. The Holder must submit the second installment of \$41,312.58 to HRiA within one year from the date of the Notice of Approval.
  - c. The Holder must promptly notify DPH (CHI contact staff) when each 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

### **Appendix I: Measures for Annual Reporting**

The Holder shall, on an annual basis, commencing with the approval of this DoN, and continuing for a period of five years after the Proposed Project is complete, provide the following information as part of the annual report required by 105 CMR 100.310(A)(12). For all measures, the Applicant will provide to the program a baseline upon implementation of each project component, along with updated projections, which the program will use for comparison with the annual data submitted.

1. **Medicaid Patients Served:** Please report on the number of Medicaid patients served, defined by either calendar year or fiscal year.