Appendix 2 – Project Description

1. Background

CareOne at Newton (“CareOne” or the “Facility”) is a skilled nursing facility located at the intersection of Washington Street and Beacon Street in the Auburndale section of Newton, Massachusetts, conveniently across the street from Newton-Wellesley Hospital. CareOne was built in 1971 and has been directly owned and operated by 2101 Washington Street Operating Company, LLC since 2003, with the ultimate parent entity of the Facility being Care Realty, L.L.C. (the “Applicant”).

1. Conservation Project Determination of Need Application

Pursuant to 105 CMR 100.000 (“Regulations”), the Applicant submits this project description and related documents to accompany Conversation Project Determination of Need Application No. LLC-22122011-CL. From 1971 to 2021, the Facility was licensed for 202 beds, but was notified in 2021 that certain beds would be permanently removed from its license as they had been maintained in an “out-of-service” state, that was not renewed in 2019.[[1]](#footnote-1) This reduced the number of licensed beds in the Facility to 141 beginning in 2021. Of the 141 beds currently licensed, 10 beds were in 3- and 4-bedded rooms. CareOne seeks to de-densify these multi-bed rooms and to re-license 40 beds, for a total of 181 licensed beds. Following the de-licensure of beds, CareOne sought approval from Department of Public Health (“DPH”) to re-license 40 beds. This application is being made to request approval for a total of 181 beds, through the addition of 40 previously licensed beds and the de-densification of multi-bed rooms (“Proposed Project”).

1. The Proposed Project

As of the date of this application, the Facility is licensed for 141 beds. Of the 141 beds, 10 beds were in multi-bed rooms. Through its Conservation DoN application, the Applicant requests that the Department of Public Health (“DPH”) re-license 40 previously licensed beds at the Facility to bring the total number of licensed beds from 141 to 181. This will result in de-densification of existing units, with all rooms being single or double occupancy. The Proposed Project involves no construction as the closed units currently exist at the facility.

As previously disclosed to DPH, beginning March 2020, the Facility operated 202 beds pursuant to a COVID 1135 waiver issued by CMS and adopted by DPH (the “COVID Waiver”). Consistent with DPH’s instruction, the Facility has been systematically decanting the unlicensed beds through attrition and a limitation on new admissions to those beds. However, as demonstrated by CareOne’s 2021 and 2022 volume, the beds continue to be needed to provide access to residents in need of skilled nursing facility care.

Through its nearly 50 years of operation, CareOne has provided high-quality skilled nursing care to Newton and the surrounding communities. As demonstrated by its payer mix, the Facility serves a high percentage of residents covered by government payers. Specifically, eighty percent (80%) of CareOne’s current payor mix consists of reimbursement from services to Medicare and Medicaid patients.[[2]](#footnote-2) The projected payor mix for CareOne for 2023-2027 will remain consistent with historical utilization. As such, the Proposed Project will allow CareOne to continue to ensure access for Medicare and Medicaid beneficiaries. For illustrative purposes, the following table includes a breakdown of the number of patient days by payer for the previous and projected calendar years:

| **Payer** | **2019** | **2020** | **2021** | **2022** | **Year 1 Post-Approval** | **Year 2 Post-Approval** | **Year 3 Post-Approval** |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Medicaid | 30,474 | 16,730 | 22,175 | 23,359 | 21,612 | 21,671 | 21,612 |
| Medicare | 7,328 | 21,753 | 26,914 | 29,568 | 28,109 | 28,185 | 28,109 |
| HMO | 4,452 | 7,529 | 10,065 | 9,381 | 8,810 | 8,834 | 8,810 |
| Private Pay | 2,673 | 2,279 | 2,572 | 5,215 | 50,33 | 5,048 | 5,033 |
| **Total** | 44,927 | 48,291 | 61,726 | 67,523 | 63,564 | 63,738 | 63,564 |

Furthermore, during its operation under the COVID Waiver, CareOne maintained a high occupancy, demonstrating the ongoing demand for operation of additional licensed beds. In fiscal year (“FY”) 2021, CareOne had a licensed bed count of 141 and operated 61 additional beds under the COVID Waiver for a total operating bed count of 202 beds. Accordingly, in FY 2021, the Facility operated at 83.5% capacity based on 202 operating beds. In FY 2022, CareOne began to systematically decant beds to reduce its operating beds to align with its licensed bed count. In FY22, the Facility operated at 91.4% capacity. Based on this high occupancy rate and the critical need for access to skilled nursing facility beds in Massachusetts, the timely re-licensure of 40 beds is needed.

The Facility’s residents have historically been a mix of long term care and short term rehabilitation residents, with 64% of patients requiring short term rehabilitation and 34% of residents requiring long term care. CareOne anticipates that this mix of residents will continue with the re-licensure of 40 beds. With the current need and anticipated future for skilled nursing facility beds to allow for hospitals to timely discharge patients, the additional licensed beds at CareOne will meet a critical need to ensure that patients are receiving care in the most appropriate setting.

CareOne projects that, following DPH’s approval of the Proposed Project, the Facility will be able to increase occupancy to a stabilized level of 174 occupied beds within the first month of re-licensure of 40 beds (a projected occupancy rate of 96.1%). CareOne expects to fill the re-licensed beds with the same proportion of Medicare and Medicaid patients that it served historically and projects that overall it will continue to serve that same proportion of Medicare and Medicaid beneficiaries over at least the next five years.

1. **Conclusion**

Through this application, the Applicant demonstrates the need for the Proposed Project. The Proposed Project will meet an identified need for additional skilled nursing capacity and is supported by historical and projected demand. Moreover, the Proposed Project is consistent with DPH’s de-densification requirements. Finally, CareOne is able to bring these beds back on its license without any capital expenditure, representing an efficient use of existing resources in the Commonwealth to meet the critical need for more skilled nursing facility beds.

1. *See*  Memorandum from Lara Szent-Gyorgyi, Director, Determination of Need Program re: [Applications for Determination of Need for Long-Term Care Facilities Seeking to Comply with Updated Licensure Regulations](https://www.mass.gov/doc/long-term-care-notice-pdf/download), dated April 28, 2021, available at <https://www.mass.gov/doc/long-term-care-notice-pdf/download> (last visited December 18, 2022), regarding certain De-Densification Requirements. [↑](#footnote-ref-1)
2. See Appendix 3, Combined Projected Financial Statements and Independent Accountants’ Compilation Report (“CPA Report”), Note 4. [↑](#footnote-ref-2)