



The Commonwealth of Massachusetts
Executive Office of Health and Human Services
Department of Public Health
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February 28, 2021

VIA EMAIL: stotino@notredamehealthcare.org

Stephen Totino
Executive Director of Finance
Notre Dame Health Care Center, Inc.
559 Plantation Street
Worcester, MA 01605

RE: Notice of Final Action Project No. DoN #NDHC-20080409-CL
Notre Dame Health Care Center, Inc.

Dear Mr. Totino:

This shall serve as notification that, based on the information provided by the Applicant and staff analysis, and pursuant to M.G.L. c. 111, § 25C and the regulatory provisions of 105 CMR 100.000 et seq, including 105, CMR 100.210(B)(2) and 105 CMR 100.630 (A)(1), I hereby approve the application for Determination of Need ("DoN") filed by Notre Dame Health Care Center, Inc. d/b/a Notre Dame Long Term Care Center (Applicant), for approval of renovations to restore its long term care facility, located at 559 Plantation Street, Worcester, MA 01605. The capital expenditure for the project is \$8,031,475.00 (August 2020 dollars). The CHI contribution is \$80,314.75, paid in two equal payments with the first payment due at the time of receipt of a duly-approved Notice of Determination of Need and the second on the first anniversary of the Notice. Please reference the project number NDHC-20080409-CL on the payment as well.

Contact for submitting contribution to the Massachusetts Healthy Aging Fund:

To comply with the Holder's obligation to contribute to the Massachusetts Healthy Aging Fund, the Holder must submit a check for \$ 40,157.37 to Health Resources in Action (the fiscal agent for the MA Healthy Aging Fund) **within 30 days** from the date of this Notice of Approval. Please notify DPH (CHI contact staff) when the 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

This Notice of Final Action incorporates by reference the Memorandum concerning this Application and is subject to the conditions set forth therein.

Sincerely,

A handwritten signature in black ink, appearing to read 'mBharel', written in a cursive style.

Monica Bharel, MD, MPH
Commissioner

cc:

Elizabeth D. Kelley, Director, Bureau of Health Care Safety and Quality
Sherman Lohnes, Director, Division of Health Care Facility Licensure and Certification
Rebecca Rodman, Deputy General Counsel
Daniel Gent, Health Care Facility Licensure and Certification
Samuel Louis, Health Care Interpretive Services Coordinator, Office of Health Equity
Ben Wood, Director, Division of Community Health Planning and Engagement
Mary Byrnes, Center for Health Information Analysis
Pavel Terpelets, Deputy Director of Institutional Programs OLTSS, MassHealth
Katherine Mills, Health Policy Commission
Eric Gold, Office of the Attorney General
Elizabeth Chen, Secretary, Executive Office of Elder Affairs

Memorandum to the Commissioner

Applicant: Notre Dame Health Care Center, Inc.
559 Plantation Street
Worcester, MA 01605

Project Number: NDHC-20080409-CL

Filing Date: November 2, 2020

Introduction

This memorandum presents, for Commissioner review and action, the Determination of Need (DoN) Program's recommendation regarding a request by Notre Dame Health Care Center Inc. d/b/a Notre Dame Long Term Care Center, for approval of renovations of the entire building, including all resident space, and staff and support spaces to restore its 123-bed long term care facility, located in Worcester. The capital expenditure for the project is \$8,031,475.00. The CHI commitment is \$80,314.75. The Applicant is a non-profit charitable corporation organized under existing law of the Commonwealth of Massachusetts.

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."¹ 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

Notre Dame Health Care Center, Inc. (Applicant) is a nonprofit charitable corporation located in Worcester, MA that owns and operates Notre Dame Long Term Care Center (Nursing Home), a 123-bed

¹ For the purposes of Conservation Project, the following words shall mean:

- (1) Sustain. The maintenance and repair activities necessary to keep a Health Care Facility or service in good working order. It includes regularly scheduled adjustments and inspections, preventive maintenance tasks, and emergency response and service calls for minor repairs. It also includes major repairs or replacement of facility components that are expected to occur periodically throughout the life cycle of said Health Care Facility or service. This work includes, but is not limited to, regular roof replacement, refinishing of wall surfaces, repairing and replacement of heating and cooling systems, replacing tile and carpeting, and similar types of work. It does not include environmental compliance costs, facility leases, or other tasks associated with facilities operations, such as custodial services, grounds services, waste disposal, and the provision of central utilities.
- (2) Restore. To return a Health Care Facility or service to such a condition that it may be used for its designated purpose or to, but not beyond, the Health Care Facility or service's original functionality. This may include coming into compliance with all applicable federal, state, and local licensure, safety, and building requirements including nationally recognized Health Care facility construction guidelines and accreditation standards, such as those issued by the Facility Guidelines Institute, the American Institute of Architects, or the Joint Commission.
- (3) Modernization. The alteration, Addition, Expansion, or replacement of all, or part, of a Health Care Facility or service to accommodate new or increased functionality, or to replace components of a Health Care Facility or service beyond that necessary to Sustain or Restore said facility or service.

skilled nursing home; Notre Dame Du Lac (Assisted Living), a 108-unit assisted living facility; and Notre Dame at Home (Hospice), which provides hospice, pediatric hospice, and palliative care.²

The Applicant's facility, Notre Dame Long Term Care Center, is a licensed skilled nursing facility that provides long term care, post-acute and short-term rehabilitation, specialized memory care, and end of life care within the charitable mission of the Sisters of Notre Dame de Namur. Licensed nursing services are provided 24 hours per day. The facility has three, 41-bed skilled nursing units or neighborhoods, and amenity spaces. Resident room configuration is 15 private rooms and 54 semi-private rooms. The facility has 82 licensed level II beds with a current occupancy rate of 89%, and 41 level III beds with a current occupancy rate of 91%. Average length of stay is 55 days in the level II beds, and 29 days in the level III beds.

Notre Dame Long Term Care Center is a nearly 30-year-old facility originally constructed in 1993.³ The building has 61,989 gross square footage (GSF). The Proposed Project will not add any beds or GSF to the existing facility, and the bed configuration will not change as a result of the Proposed Project.

Conservation Projects are not subject to analysis under Factor 1 of the DoN regulation, which looks at the needs of the Patient Panel for the Proposed Project. However, for context, the following information was provided: the long-term care facility currently has 98 residents of which 33 are dementia care residents, 59 are long-term care residents, and 6 are short-term resident stays. The 2019 payer mix is 38.82% Private, 3.87% Medicare, and 54.91% Medicaid and 1.4% HMO/Other according to Medicaid cost report data.⁴

The Proposed Project

Through the Proposed Project, the Applicant aims to restore much of the aging infrastructure of the facility to provide an improved environment for patients and staff and enable the facility to continue with its mission into the future. The Applicant states that the building is nearly 30 years old and renovations are needed to restore it to its designated purpose and original functionality.

The Proposed Project includes a renovation of the entire building, including all resident spaces, staff and support spaces.

Renovations to the skilled nursing units include refinishing work for the entire unit.

- New flooring finishes and lights in resident rooms, new fixtures and sinks in resident bathrooms and bathing areas, and new ceilings, lighting, and wall protection, in corridors.
- Renovations to the nurses' station and support stations, including new finishes.
- Day rooms and dining rooms that are currently separate spaces will be combined into larger spaces with the same functionality. The combined spaces will reduce density and allow staff to provide different programming and activities for residents during the day, which will increase utilization of the spaces.

Renovations to common and support spaces, including activity and main dining spaces, lobby, main corridors and offices.

- Refinishing work, including new flooring, ceilings, lighting and wall protection.

² The Applicant also operates an education center that provides education and training to its employees as well as other outside participants.

³ The Department approved DoN Project No. 2-1491 for a substantial capital expenditure in August 2007 to construct a parking garage and perform minor renovations to the facility. In addition, the Department approved an amendment to DoN Project No. 2-1491 in July 2010 for minor and immaterial changes to the DoN.

⁴ NDHCC's affiliation with the Sisters of Notre Dame as a primary referral source results in a high private census.

- Renovations to rehabilitation space and to staff support spaces, including staff lounge, laundry, main kitchen, and other support areas.
- Replacement of select existing kitchen equipment and the addition of new laundry equipment to the laundry room.

The Applicant expects construction to begin in 2021, but has stated that the start date is dependent on COVID conditions to ensure the safety of staff and residents. The Applicant outlined processes that will be used to minimize disruption of patient care and ensure patient safety and well-being during construction. 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, and does not add any new beds, services or capacity.

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 CliftonLarsonAllen (CLA) (CPA Report). In order to assess the reasonableness of assumptions used, and the feasibility of the projections for the Proposed Project, the CPA Report reflects a review and analysis of Notre Dame Health Care Center, Inc. (NDHCC) audited financial statements, current financial position, and industry metrics. Additionally, the CPA reviewed the 2020-2024 financial projections and supporting documentation, including underlying assumptions prepared by Management, and determined they were reasonable.^{5,6}

Projected revenue consists of revenue from operating the skilled nursing facility and the hospice program. The CPA reports that baseline revenue projected for the first year of operation (2020) is based on interim financial data for the current period, Management's historical experience of operating the Facility, and current reimbursement and nursing home regulation. In addition, the estimated impact of COVID-19 on operations, was utilized to project and establish a baseline for the projection. Management incorporated estimated temporary impacts of COVID-19 for the year ending 2020 and the first four months of 2021. The report states that COVID-19 is impacting parts of NDHCC's 2020 operations and financial results.⁷ 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. The projection assumes significant COVID-19 revenue and expense impact through July 2021. Based on the

⁵ The Projection does not include the assets, liabilities, net assets with and without donor restrictions, results operations, and the cash flow for assisted living.

⁶ Providers in Worcester County were used to benchmark projections.

⁷ Including costs for emergency preparedness, disease control and containment, potential shortages of health care personnel, additional wages, or loss of revenue due to reductions in certain revenue streams.

foregoing, the CPA's opinion is that the growth projections for NDHCC reflect a reasonable estimation of future revenues.

The CPA also reviewed the Applicant's projected operating expenses and states that baseline projected expenses for the first year of the projection (2020) were derived from financial data of the facility for the current period and historical experience of operating the facility. In addition, the estimated impact of COVID-19 on operations, was utilized to project and establish a baseline for the projection.⁸ Inflationary increases in major expense categories were formulated by Management. After review of these categories of expenses, the CPA's opinion is that the projections of the Applicant are reasonable.

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 and to reinvest in the facility in order to maintain the renovations associated with this Proposed Project. According to the documents reviewed by the CPA, the Project will be financed by a Construction loan (\$7,611,000) secured by a mortgage on the real property and existing cash and equivalents (\$420,000).⁹

As a result of the foregoing, the CPA determined that "the projections are reasonable and feasible, and not likely to have a negative impact on the patient panel or result in a liquidation of assets."

Factor 6

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. Payment may be made in full at the time of project approval or in two equal installments with the first payment due at the time of receipt of a duly-approved Notice of Determination of Need (or upon receipt of a payment letter from DPH), and the second, on the first anniversary of the Notice. The Applicant has chosen the option to pay in two equal installments. Any deviation to this payment schedule will require program approval. For this proposed Conservation Project, the CHI contribution will be \$80,314.75. Based on the Applicant's compliance with the above requirement, the Applicant meets the terms of Factor 6.

Findings

Based upon a review of the materials submitted, the Department finds that the Proposed Project at Notre Dame Long Term Care Center complies with the requirements of a Conservation Project and has met applicable DoN factors 3, 4, and 6 as required in the regulation 105 CMR 100.210(B)(2). As a result, this Application for \$8,031,475 in capital expenditures for a Conservation Project at Notre Dame Long Term Care Facility is approved, subject to all Standard Conditions as provided in the Regulations. All standard conditions apply except 100.310(A)(10).

⁸ Additional expenditures related to increased staffing and wages, personal protective equipment, testing, infection control measures and other expenses.

⁹ Approximately \$30,000 of existing pre-planning construction in progress costs were funded prior to the projection period.