

**STAFF REPORT TO THE PUBLIC HEALTH COUNCIL
FOR A DETERMINATION OF NEED**

Applicant Name	PAM Cubed, LLC
Applicant Address	909 Sumner Street, Stoughton, MA 02072
Filing Date	November 19, 2021
Type of DoN Application	Transfer of Ownership
Total Value	\$7,500,000.00
Project Number	PAM-21111018-TO
Ten Taxpayer Groups (TTG)	No
Community Health Initiative (CHI)	Exempt from Factor 6
Staff Recommendation	Approval with Conditions
Public Health Council	February 9, 2022

Project Summary and Regulatory Review

PAM Cubed, LLC and its subsidiaries (“PAM”), the Applicant, proposes to become the owner of Curahealth Stoughton, LLC, a long-term acute care hospital (LTCH) located in Stoughton, Massachusetts (the Hospital). In an agreement between PAM and Nautic Partners VII-A, L.P. and its subsidiaries, which include the Applicant and the Hospital, (collectively, the “Seller”), PAM will acquire 100% of the equity in the Applicant. Thereafter, the Hospital will be an indirect subsidiary of PAM. PAM and its affiliated entities are part of a national network that owns and operates LTCHs throughout the United States (collectively, PAM Health).

This Determination of Need (DoN) Application falls within the definition of Transfer of Ownership, which are reviewed under the DoN regulation 105 CMR 100.000. The Department must determine that need exists for a Proposed Project, on the basis of material in the record, where the Applicant makes a clear and convincing demonstration that the Proposed Project meets each applicable DoN Factor set forth within 105 CMR 100.210. A DoN Application for a Transfer of Ownership is subject to factors 1, 2, 3, and 4 of the DoN regulation. This staff report addresses each of the four factors set forth in the regulation.

The Department did not receive any written comments on this application nor were any Ten Taxpayer Groups formed.

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Background: PAM Cubed, LLC and Application Overview

The Applicant, PAM Cubed and its subsidiaries, collectively referred to as PAM, and its affiliates are part of a national network that owns and operates long-term acute care hospitals (LTCHs) throughout the United States (collectively PAM Health). PAM Health currently provides post-acute healthcare services through more than 50 LTCHs and medical rehabilitation hospitals, as well as 18 outpatient physical therapy locations, in 13 states.

Curahealth Stoughton, LLC (“the Hospital” or “Curahealth”) is an LTCH located in Stoughton, Massachusetts that is licensed by the Department of Public Health (DPH) as a hospital with a total of 198 licensed beds.¹ As an LTCH, the Hospital provides care to inpatients who have chronic needs and require an average length of stay of greater than 25 days and a higher level of care than can be provided in a skilled nursing facility. The Hospital also provides long-stay psychiatric services to a small patient population with traumatic brain injury (TBIs).

PAM proposes to become the owner of Curahealth Stoughton, LLC. PAM will acquire 100% of the equity in the Applicant. Thereafter, the Hospital will be an indirect subsidiary of PAM. As part of the same transaction, PAM also acquired 100% of the equity in seven other LTCHs and seven inpatient rehabilitation hospitals in states other than Massachusetts, which will all become part of PAM Health.

The Applicant asserts that the Proposed Project will allow CuraHealth to benefit from PAM and PAM Health’s experienced clinicians, multi-factorial approach to care delivery, implementation of disease specific programs, and standardized policies and procedures with best practices to ensure that the Hospital delivers safe, effective and affordable care.

¹ Of the licensed beds 41 are locked psychiatric beds and 157 chronic disease beds (47 chronic disease beds in operations/110 chronic beds out-of-service beds)

OVERVIEW of PROPOSED PROJECT AND FACTOR REVIEW

Description of Proposed Project Component	What's Needed to Meet Factor 1: Demonstration of need; improved health outcomes and quality of life; assurances of health equity; continuity and coordination of care; evidence of community engagement; and competition on recognized measures of health care spending.	What's Needed to Meet Factor 2: Demonstration of cost containment, improved public health outcomes, and delivery system transformation.	Factors 3 & 4 ²
	<i>Staff Report finds</i>		
	MEETS	MEETS	MEETS
PAM Cubed, LLC, the Applicant, proposes to become the owner of Curahealth Stoughton, LLC, a long-term acute care hospital (LTCH) located in Stoughton, Massachusetts (the Hospital).	✓	✓	✓

² Factor 3: Sufficient evidence of compliance and good standing with federal, state, and local laws and regulations

Factor 4: Sufficient documentation of the availability of sufficient funds for capital and ongoing operating costs necessary to support the Project without negative impacts or consequences to the Applicant's existing Patient Panel

Patient Panel³

PAM does not currently own any health care facilities in Massachusetts. As such, the Patient Panel for the Hospital will be evaluated. Curahealth is a long-term acute care hospital⁴ (LTCH) that is licensed by the Department of Public Health (DPH). As an LTCH, the Hospital provides care to inpatients who have chronic needs and require an average length of stay of greater than 25 days and a higher level of care than can be provided in a skilled nursing facility (SNF). The Hospital also provides long-stay psychiatric services to a small patient population with traumatic brain injury (TBIs).

Table 1: Overview of Curahealth Stoughton Patient Panel, FY18-FY20

	2018	2019	2020
Number of Unique Patients Served	240	227	278

Table 2: Overview of Curahealth Stoughton Patient Panel, FY20

	Total	Percent
Total Unique Patients	278	
Gender		
Female	114	41%
Male	164	59%
Age		
0-17	0	0%
18-64	167	60%
65+	111	40%
Race		
African American	32	12%
Asian	8	3%
Caucasian	201	72%
Hispanic	17	6%
Other*	20	7%
Payer Mix		
Commercial	12	4%
Champus/ VA	6	2%
Medicaid	58	21%
Medicare	96	35%
Managed Medicaid	50	18%
Managed Medicare	41	15%
Other**	15	5%

*Other includes patients who did not provide information or identified race/ethnicity other than the listed categories; LTCH: race/ethnicity other than African-American, Asian, Caucasian, or Hispanic; NRU: race/ethnicity other than Caucasian or Hispanic

**Include Workers' compensation, Veterans Affairs, self-insured, or private pay

~Top 5 zip codes at discharge

Table 1 provides high level Patient Panel data over a three-year period. Table 2 provides more detailed information on the Hospital's Patient Panel for the most recent year of data provided (detailed information

³ As defined in 105 CMR 100.100, Patient Panel is the total of the individual patients regardless of payer, including those patients seen within an emergency department(s) if applicable, seen over the course of the most recent complete 36-month period by the Applicant or Holder.

⁴ Medicare classifies chronic hospitals as Long-Term Care Hospitals.

on all three years of the Patient Panel are found in Appendix A). In FY20, over 50% of the patients were male. The Hospital's Patient Panel does not include patients aged 17 and younger; the largest proportion of its patients was 18-64 years old (55%). A majority of the patients were Caucasian (72%), and they serve a large public payer mix⁵.

The Hospital's sole referral sources are acute care hospitals statewide. The Hospital discharges patients to an average of 105 different zip codes each year.⁶

As noted above, these patients have longer lengths of stay and require higher levels of care than are available in a skilled nursing facility, such as mechanical ventilation. The top five diagnoses at the time of admissions between 2018-2020 were respiratory failure, sepsis, pneumonia, cellulitis and shortness of breath. These conditions are often combined with one or more other co-morbidities and are generally associated with patients who need long-term acute care. The average length of stay for an LTCH patient at the Hospital across a three-year period was 36 days (Table 2). The Applicant noted it serves a small number traumatic brain injury (TBI) patients who generally have longer lengths of stay than LTCH patients they serve.

Table 2: Average Length of Stay (LOS) by Days - LTCH

2018	2019	2020	Avg LOS (2018-2020)
41	34	34	36

Factor 1a: Patient Panel Need

In this section, we assess if the Applicant has sufficiently addressed Patient Panel need for the Proposed Project.

Patient Panel Need

The Applicant attributes the need for the transfer of ownership to two interrelated factors:

- a) role of LTCHs in the care continuum, and
- b) leveraging PAM Health's expertise.

a) Role of LTCHs in the care continuum

Overall, LTCHs play an important role in treating the sickest patients who require extended hospital stay. LTCHs serve a high-acuity mix, and this necessitates wide ranging clinical teams and programs for conditions such as respiratory, infectious disease, and other comorbidities. As the Applicant states, maximization of LTCH services can "reduce the burden on acute care hospitals by providing collaborative continuum of care," particularly as these patients can be discharged to LTCHs. The Hospital received referrals from over 40 acute care hospitals across Massachusetts between 2018-2020. This Proposed Project will ensure that the Hospital continues to provide its services in the community.

b) Leverage PAM Health's expertise

The Applicant, PAM, as part of the larger PAM Health, has 15 years of experience as a national provider of LTCH services and states that the Proposed Project will enable the Hospital to leverage that experience to strengthen the Hospital's administrative and clinical infrastructure. Pam Health will provide core corporate services (e.g., human resources, compliance, financial, legal, information technology) to the Hospital as well as their national and regional clinical leadership staff.

⁵ Public payer mix was 90%: 62% Medicare and Managed Medicare and 38% Medicaid and Managed Medicaid and .8% VA, and the remaining 10% of the payer mix includes commercial pay and other.

⁶ Approximately 26% of the Patient Panel came from five zip codes on the South Shore with 18% from zip codes less than 10 miles from the Hospital.

Analysis

LTCHs provide care to patients requiring an average length of stay longer than 25 days and generally provide longer-term care. In FY19, there were only four LTCHs in Massachusetts, including Curahealth, which were responsible for 16% of all chronic and rehabilitation discharges in FY19. LTCHs play an important role in health care, as recently demonstrated during the national COVID-19 health-care pandemic, extending ICU capacity for COVID-19 patients by allowing patients requiring mechanical ventilation to be transferred from an acute care hospital.^a The Proposed Project will ensure the Patient Panel has access to an LTCH providing care in the community, and they can receive care in the appropriate setting.

Factor 1: b) Public health value, improved health outcomes and quality of life; assurances of health equity

In this section staff will assess if the Proposed Project adds measurable public health value in terms of improved health outcomes and quality of life for the Applicant's existing patient panel, while providing reasonable assurances of health equity.

Public Health Value, Health Outcomes, and Quality of Life

The Applicant states that they have a comprehensive quality assurance program that utilizes a multi-factorial approach to improve quality, delivery of care, and outcomes for the Patient Panel. The Applicant states PAM Health LTCHs are above national averages in overall patient satisfaction and have fewer falls and fewer pressure ulcers. One specific example cited shows that PAM Health facilities have a wean rate from ventilators that is higher than the national average.⁷ Better outcomes on measures such as these lead to better health outcomes for patients as well as lower costs. Improved health outcomes are understood to lead to better quality of life.

In the initial stages of the Proposed Project, the Applicant states it will identify areas for improvement through a review of the Hospital's historic patient outcomes and operations. It will also utilize this information to establish a baseline and goals for the identified improvement areas. Of note, the Applicant will maintain the Hospital's current accreditation with The Center for Improvement in Healthcare Quality (CIHQ), and in Year 2 or later of the Proposed Project, plans to transition the Hospital to Joint Commission accreditation, which are aligned with state licensure requirements. Accreditation serves to ensure facilities are held to national standards of quality and safety. Some of The Joint Commission's requirements exceed CMS' Conditions of Participation (CoPs),⁸ conditions required participate in Medicare and Medicaid. Additionally, The Joint Commission accredits disease-specific certified programs the Applicant will apply as appropriate at Curahealth.

Using PAM Health's expertise, they will be able to evaluate and identify areas of enhancement which will support the Hospital's clinical capabilities and service quality. For example, the Applicant will assess specific market needs for programs and the Hospital's patient population to determine if it can implement any of its nine disease-specific certified programs that are accredited by The Joint Commission.⁹ These programs include standardized measures that the Applicant can use to compare the Hospital's performance across both PAM Health and nationally.

⁷ The wean rate is determined by the number of patients on a ventilator that are successfully weaned (>48 hours) at the time of discharge. PAM Health's average is 76% compared to the national average of 53%.

⁸ May Fennel, C. (2021). Accreditation options: Selecting an accrediting source. [Beckershospitalreview.com](https://www.beckershospitalreview.com/quality/accreditation-options-selecting-an-accrediting-source.html). Retrieved 24 December 2021, from <https://www.beckershospitalreview.com/quality/accreditation-options-selecting-an-accrediting-source.html>.

⁹ These programs include Stroke, Amputee, Parkinson's Disease, Spinal Cord Injury, Traumatic Brain Injury and Brain Injury Rehabilitation along with Respiratory and Health Failure and Wound Care.

PAM will be able to draw from its experiences working with other hospitals nationally and bring the value of the many hospitals to the Hospital. PAM Health has a range of specialized services from advanced wound care programs to early mobility programs and vent weaning, to bariatric services to hyperbaric oxygen therapy. PAM Health dedicates all necessary resources to support the program and the healthcare professionals providing services to patients.

As previously mentioned, the Applicant will use its experiences in other PAM Health LTCH facilities to implement best practices at the Hospital to improve access to care and ensure the Hospital is delivering safe and effective care. Also, the Applicant states it devotes its seasoned corporate team to ensure patients receive the highest quality care. It strives to improve health outcomes and quality of life through its standardized clinical practices, disease specific programs and best practices. The Applicant stated that quality indicators, such as ventilator wean rates, are at the core of its operations. The Applicant will also concentrate on patient satisfaction and implement PAM Health's "We Care" program.¹⁰

Analysis

Staff has reviewed and concurs that there is value to the new owner reassessing appropriateness of care and conducting quality improvements within the Hospital. This will add to public health value in terms of improved health outcomes and quality of life of the Applicant's Patient Panel. Further, the Hospital's Patient Panel will benefit from PAM Health's experiences, which will enhance the service quality and availability of programs.

Health Equity and Social Determinants of Health (SDoH)

The Applicant states that they plan to continue efforts to promote health equity at the Hospital. It is stated in the application that the Applicant complies with all applicable federal and state laws and does not discriminate on the basis of race, color, national origin, age, disability or sex. The Hospital is a certified Medicare and MassHealth provider serving the entire Commonwealth. It will continue to serve a high mix of public payers including MassHealth.

The Hospital will also provide culturally and linguistically appropriate language services that include aids and translation services to patients so that they are able communicate with their providers. LanguageLine is currently used for translational services, which provides access to over 240 different languages, including American Sign Language, and over 14,000 professional linguists. These services are available 24 hours per day through video conference, telephone, and in-person. Additionally, written information in accessible formats including large print, audio, and electronic will be provided as needed. The Applicant also provides cultural competence trainings and hosts a comprehensive employee voice strategy "to maintain a supportive and inclusive workplace culture."

As a part of the discharge planning process, one of the factors considered is social determinants of health (e.g., availability/accessibility to adequate housing and transportation). The Applicant uses a team-based approach for its discharge planning and asks questions and evaluates patients' responses to identify challenges patients may face post-discharge including deficits in social and economic resources, education and literacy, support networks, and physical and social environments. PAM Health identifies patient's needs early in the process so that the team is able to consult with available programs and providers to address those needs. During the patient's stay, the team evaluates the needs of the patient and consults with both family and other medical professionals to outline a post-discharge plan.

¹⁰ This program includes enhanced patient rounding to connect and encourage communication between patients, families, physicians, other care providers, and the health care team.

Analysis: Health Equity and SDoH

The DoN Staff's review assessed the Proposed Project's impact on equitable access to care. Staff finds that the Applicant has sufficiently generally outlined a case for improved health outcomes and health equity.

Factor 1: c) Efficiency, Continuity of Care, Coordination of Care

The Applicant states its goal is to ensure that patients are discharged to the most appropriate level of care with a particular eye toward reducing avoidable readmissions. Discharge planning begins immediately upon admission, and patients are assigned a case manager and PAM Health clinical professionals along with the patient's treating and consulting physician. The Applicant asserts it will implement an interdisciplinary collaborative discharge planning process while focusing on the patient's goals and treatment preferences, as well as ensure proper durable medical equipment and community support are provided as needed. This process is a shared responsibility of the interdisciplinary healthcare team, patient, and designated patient support caregiver. Additionally, a collaborative process is used with the patient, patient's physician, and family to review discharge goals and conduct daily evaluations of patients' clinical and physical capabilities. The Applicant will also provide relevant training to the patient and caregiver. This will help to ensure that patients have a smooth transition from hospital to post-discharge care and can reduce potential factors that lead to preventable hospital readmission.

At admission and upon patient request, the Applicant establishes contacts with the patient's primary care provider, and the patient's attending physician at the Hospital will communicate with the patient's primary care provider throughout the patient's stay as needed. The Applicant will also support patients in scheduling post-discharge appointments with primary care providers and, if needed, with specialists. As a part of continuity of care, it also ensures the transfer of patients' medical information for post-discharge services and/or follow-up needs.

Analysis

Staff finds that the Applicant's care coordination and discharge processes will contribute positively to efficiency, continuity, and coordination of care. Care coordination needs for residents in long-term care facilities are particularly important.

Staff concurs that the Applicant's interdisciplinary collaborative approach on care transitions and other supports for patients discharged is appropriate.

Factor 1: d) Consultation

The Applicant has provided evidence of consultation, both prior to and after the Filing Date, with all government agencies that have licensure, certification, or other regulatory oversight, which has been done and will not be addressed further in this report.

Factor 1: e) Evidence of Sound Community Engagement through the Patient Panel

The Department's Guideline¹¹ for community engagement defines "community" as the Patient Panel and requires that, at minimum, the Applicant must "consult" with groups representative of the Applicant's Patient Panel. Regulations state that efforts in such consultation should consist of engaging "community coalitions statistically representative of the Patient Panel."¹²

¹¹ Community Engagement Standards for Community Health Planning Guideline. <https://www.mass.gov/doc/community-engagement-guidelines-for-community-health-planning-pdf/download>.

¹² DoN Regulation 100.210 (A)(1)(e). <https://www.mass.gov/files/documents/2018/12/31/jud-lib-105cmr100.pdf>.

The Applicant has contacted key governmental and regulatory stakeholders. There were town halls held with Hospital employees and Applicant's leadership as well as individual meetings with employees. Once the Proposed Project has been approved, the Applicant plans to take a broad community engagement approach that includes issuing a press release to local media outlets to inform the Patient Panel and the local community as well as publish in their quarterly newsletter, website, and social media channels. They will also reach out to the Hospital's referral sources and primary care providers in the region about the Proposed Project.

Analysis

Staff reviewed the information on the Applicant's community engagement and finds that the Applicant has met the required community engagement standard of Consult in the planning phase of the Proposed Project.

Factor 1: f) Competition on price, total medical expenses (TME), costs and other measures of health care spending

The Applicant asserts that as a result of the facility's high public payor mix, the Proposed Project should "either have a net neutral impact or reduce the Hospital's total medical expenses (TME). Additionally, patients who no longer need hospital-level care but who need a higher level of care than provided in a SNF can be discharged from higher cost acute care hospital beds to Curahealth. Further, the Applicant states that the Hospital will adopt PAM Health's mission to provide quality health care services by continuing to build an environment that "fosters meaningful improvement and recovery for post-acute services for people with injuries, illness and disabilities to the services." Leveraging PAM Health's network, particularly its corporate support services and staff, the Hospital will be able to obtain economies of scale and reduce non-clinical expenses. The Applicant has business services and national contracts for services and supplies including but not limited to hospital equipment and pharmaceuticals. As a result of PAM Health's scale and size, it is able to negotiate more favorable terms for contracts which will reduce the Hospital's non-clinical costs. The Hospital will also be able to consolidate administrative services as the Applicant provides centralized billing and collection support. These changes will contribute to cost savings. The Applicant states that through the Hospital's collaborative continuum of care it will provide enhanced support to the Hospital's LTCH services, which will ease the burden on acute care hospitals.

Analysis

The Proposed Project has the potential to reduce the total costs of care through a combination of enhanced coordination of care, as discussed above in Factor 1c, which can help prevent costly readmissions, maintaining the Hospital's high public payer mix, and capitalizing on the Applicant's centralized services and purchasing agreements to reduce costs where possible. The Applicant utilizes the collaborative approach with families and providers LTCHs implement to ensure patients receive care in the appropriate acute care setting contributes to improvement in patient outcomes and overall cost efficiency. Additionally, LTCHs play an important role in value-based networks and accountable care organizations as they have 39% lower per-day payments than short-term acute care hospitals.^b

Summary, FACTOR 1

As a result of the information provided by the Applicant and additional analysis, staff finds that the Applicant has demonstrated that the Proposed Project meets Factors 1(a-f).

Factor 2: Cost containment, Improved Public Health Outcomes and Delivery System Transformation

Cost Containment

The Applicant asserts several elements collectively will contribute to the Commonwealth's goals for cost containment. The Applicant plans to collaborate with acute care hospitals, its sole referral sources, to ensure patients receive care in the appropriate setting as was done during the COVID-19 pandemic, as noted above. Providing patients with chronic needs the long-term acute hospital services they require in the appropriate setting can increase capacity at acute care hospitals. As previously mentioned, implementing some of the nine disease-specific certified programs will improve quality of care and health outcomes that will ultimately reduce the burden on acute hospital system and allow for more discharges home instead to long-term care facilities.

Analysis: Cost Containment

Staff finds that the Applicant has adequately explained how it aligns with cost containment goals through the availability of its LTCH services and programs. The Proposed Project is intended to provide care for patients with long-term chronic needs in an appropriate setting and potentially increase discharges to homes rather than long-term care facilities.

Improved Public Health Outcomes

As previously discussed, the Applicant will apply their experiences and expertise in other PAM Health hospitals and implement best practices at the Hospital. By adding evidence-based service lines and programs, they will improve access to care. Also, as mentioned above, they have a comprehensive quality assurance program that they plan to implement at the Hospital. The Applicant notes that they will continue to work with other organizations in the state and across the country to enhance patient quality and outcomes. These organizations include but not limited to The Joint Commission, physicians, especially those with specialties applicable to LTCH patients, veteran organizations, social service, and advocacy groups.

Analysis: Public Health Outcomes

Staff finds that the Applicant intends to ensure and further strengthen the delivery of quality care and implement best practices that has the potential to improve health outcomes. This can be evidenced by PAM Health's ventilation wean rate which is better than the national rate. The literature also supports that LTCHs have the potential to improve patient outcomes through specialized care programs for medically complex and chronically critically ill patients over an extended inpatient period.^{c,d}

Delivery System Transformation

The Hospital provides care to a large proportion of public payer patients, which they plan to continue after the Proposed Project is executed. As mentioned above, the Applicant asserts that they will provide an interdisciplinary collaborative discharge planning process while focusing on the patients' goals and treatment preferences. This process is a shared responsibility of the interdisciplinary healthcare team, patient, and designated patient support caregiver. Several factors are considered in this process, which include patient functionality, patient caregiver supports, social support systems, and social determinates of health (e.g., availability/accessibility to adequate housing and transportation). The Applicant makes referrals as needed and based on patients' choice that are consistent with the discharge plan and patients' goals and/or preferences to community-based resources.

Analysis: Delivery System Transformation

Central to the goal of Delivery System Transformation is the integration of social services and community-based expertise. The Applicant described how it uses an interdisciplinary approach to connect patients to appropriate community-based services that also align with patients' goals and discharge plans. The Applicant's efforts in screening patients along the spectrum of care starting prior to intake and occur through post-discharge will enable identification of patient social needs and appropriate referrals. Further, the mechanisms they have in place has the potential to improve the continuity of care.

Summary, FACTOR 2

As a result of information provided, staff finds that the Proposed Transfer of Ownership has sufficiently met the requirements of Factor 2.

Factor 3: Relevant Licensure/Oversight Compliance

The Applicant has provided evidence of compliance and good standing with federal, state, and local laws and regulations and this Factor will not be addressed further in this report. As a result of information provided by the Applicant, staff finds the Applicant has reasonably met the standards of Factor 3.

Factor 4: Demonstration of Sufficient Funds as Supported by an Independent CPA Analysis

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 by an independent CPA. The Applicant submitted a CPA report compiled by BDO. The CPA analysis was limited to six-year financial projections for the Applicant (FY2021-2026).

The CPA Report reviewed and is based on several documents including the Applicant's financial model, fiscal year 2021 financial budget, internal financial statements, audited consolidated financial statements and supplementary information for post-acute and subsidiaries, and historical and projected net revenue by payors as well as for Curahealth Hospital's consolidated pro forma, internal financial statements, and estimated projected maintenance capital expenditures. The CPA reviewed the Applicant's financial assumptions used in preparing the projections and found that those assumptions were reasonable.

The projected revenue is estimated based on net inpatient revenue¹³ and net outpatient revenue¹⁴. The review was based on historical operations of PAM and Curahealth and anticipated market movements. Approximately 99% of revenue relates to net inpatient revenue, which considered volume (inpatient days) and rate adjustments¹⁵. The net outpatient revenue is expected to grow by 2% per quarter from the first quarter of 2022 through the fourth quarter of 2026.

The CPA also reviewed the Applicant's projected operating expenses.¹⁶ Salaries, wages, and benefits account for approximately 57% of total operating expenses and other operating expenses account for approximately 27% of total operating expenses throughout the projection period. Overall, the majority of expenses are

¹³ Projected net inpatient revenue for FY 2021 is based upon actuals for January through July and the Applicant's 2021 budget for August through December, updated to include the acquisition of Curahealth Hospitals for October through December. The projections for Curahealth Hospitals for October through December 2021 are based on a historical per patient day cost and average daily census by location.

¹⁴ Net outpatient revenue for FY 2021 is based upon actuals for January through July and the Applicant's 2021 budget for August through December.

¹⁵ FY2022—rate adjustment of 2% and FY2023-2026—rate adjustment of 3%.

¹⁶ Analysis is based on salaries, wages, and benefits, supplies, contract services, professional fees, repairs/maintenance, utilities expense, bad debt expense, corporate services fee, and other operating expenses. All expenses for FY 2021 are based upon actuals for January through July and the Applicant's 2021 budget for August through December, updated to include the acquisition of Curahealth Hospitals for October through December.

projected to increase 2% annually (FY2023-2026), except for rent that is anticipated to grow 3% (FY2022-2026).

The CPA reported on the Applicant's projected Earnings before Interest, Taxes, Depreciation, and Amortization (EBITDA). The projected cumulative EBITDA surplus is approximately 15.3% of cumulative projected revenue for PAM for FY2021 through FY2026, and the CPA finds that it is a reasonable expectation and based upon feasible financial assumptions. The CPA report found that "the Projections are reasonable and feasible, and not likely to have a negative impact on the Applicant's patient panel or result in a liquidation of PAM's assets."

With the CPA analysis, staff has determined that the Applicant has provided sufficient documentation of the availability of sufficient funds for capital and ongoing operating costs necessary to support the Proposed Project without negative impacts or consequences to the Applicant's Patient Panel.

Factor 5: Assessment of the Proposed Project's Relative Merit

Transfer of Ownership Applications are exempt from this factor.

Factor 6: Fulfillment of DPH Community-based Health Initiatives Guideline

Transfer of Ownership Applications are exempt from this factor.

Conditions

Based upon a review of the materials submitted, Staff finds that the Applicant has met each DoN Factor for the Proposed Project and recommends that the Department approve this Determination of Need, subject to all applicable Standard Conditions.

The Holder shall provide, in its annual report to the Department, the following outcome measures. These metrics will become part of the annual reporting on the approved DoN, required pursuant to 105 CMR 100.310(A)(12). Reporting will include a description of numerators and denominators.

1. Patient Satisfaction. The Applicant will review patient satisfaction levels with LTCH services.

Measure: PAM Health's "We Care" program will be provided to all eligible patients. The Applicant states that the "We Care" program focuses on the following key areas:

- Delivering exceptional experiences for our patients
- Ensuring safe and quality outcomes
- Engaging our patients and their loved ones in their care plan

Projections: The Hospital's current overall rating under the current ownership's patient satisfaction program is projected to be 51% for CY2021. Since the Proposed Project has not occurred, the Applicant will establish a benchmark of 70% for the overall rating of care.

Monitoring: Any category receiving less than the national benchmark of PAM LTCHs nationally will be evaluated and policy changes instituted as appropriate. PAM Health will review metrics monthly and will report a yearly summary to the DoN.

2. Clinical Quality.

a. Vent Wean Rates. This measure evaluates the number of patients that are weaned from ventilators, i.e., decreasing the degree of ventilator support and allowing the patient to assume a greater proportion of their own ventilation.

Measure: The wean rate is determined by the number of patients on a ventilator that have been successfully weaned for more than 48 hours at the time of discharge.

Projections: The Applicant through PAM Health has demonstrated a wean rate from ventilators that is higher than the national average. PAM Health's average is 76% compared to the national average of 53%. Since the Proposed Project has not occurred, the Applicant will establish a benchmark of 70% for this facility for this measure.

Monitoring: PAM Health will review metrics monthly and will report a yearly summary to the DoN.

b. To evaluate outcomes of patients on a ventilator, the Applicant must provide additional data for patients on a ventilator.

Measure: The Applicant will provide average length of stay and discharge location (e.g., home, hospital, SNF) for patients on a ventilator.

c. New or Worsened Hospital Acquired Pressure Ulcer (HAPUs). LTCHs by their nature serve chronic conditions that include complex wounds. PAM Health's average rate of HAPUs is 1.9% compared to the national LTCH average of 2.5%.

Measure: The number and percentage of patients with Stage 2-4 pressure ulcers, or unstageable pressure ulcers due to slough/eschar, non-removable dressing/device, or deep tissue injury, that were not present or were at a lesser stage on admission.

Projections: Since the proposed project has not occurred, the Applicant will adopt the national LTCH benchmark of 2.5%.

Monitoring: PAM Health will review metrics quarterly and will report a yearly summary to the DoN.

REFERENCES

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Appendix A

Overview of Curahealth Stoughton (the Hospital) Patient Panel, FY18-FY20

	2018 (n=240)		2019 (n=227)		2020 (n=278)	
	#	%	#	%	#	%
Gender						
Female	84	35%	81	36%	114	41%
Male	156	65%	146	64%	164	59%
Age						
0-17	0	0%	0	0%	0	0%
18-64	111	46%	129	57%	167	60%
65+	129	54%	98	43%	111	40%
Race						
African American	24	10%	31	14%	32	12%
Asian	2	1%	4	2%	8	3%
Caucasian	181	75%	148	65%	201	72%
Hispanic	1	0.4%	5	2%	17	6%
Other*	32	13%	39	17%	20	7%
Payer Mix						
Commercial	16	7%	10	4%	12	4%
Champus/ VA	--	--	--	--	6	2%
Medicaid	54	23%	47	21%	58	21%
Medicare	122	51%	95	42%	96	35%
Managed Medicaid	11	5%	31	14%	50	18%
Manged Medicare	26	11%	34	15%	41	15%
Other**	11	5%	10	4%	15	5%

*Other includes patients who did not provide information or identified race/ethnicity other than the listed categories; LTCH: race/ethnicity other than African-American, Asian, Caucasian, or Hispanic; NRU: race/ethnicity other than Caucasian or Hispanic

**Include Workers' compensation, Veterans Affairs, self-insured, or private pay