

STAFF REPORT TO THE COMMISSIONER FOR A DETERMINATION OF NEED	
Applicant Name	Masonic Health System of Massachusetts, Inc.
Applicant Address	88 Masonic Home Road, Charlton, MA 01507
Filing Date	April 17, 2024
Type of DoN Application	Long-term Care Substantial Capital Expenditure
Total Value	\$2,995,285.00
Project Number	MHSM-24021310-LS
Ten Taxpayer Groups	None formed
Community Health Initiative (CHI)	\$89,858.55
Staff Recommendation	Approval with Conditions
Delegated Review	Final Action by Commissioner
<p style="text-align: center;"><u>Project Summary and Regulatory Review</u></p> <p>Masonic Health System of Massachusetts, Inc. (Applicant) with a principal place of business at 88 Masonic Home Road, Charlton, MA, is filing a Notice of Determination of Need with the Department of Public Health (Department) for a Substantial Capital Expenditure at Overlook Masonic Health Center (The Overlook), a skilled nursing facility located in Charlton, MA. The Proposed Project is to re-design and renovate the facility to improve the safety of the built environment and improve the delivery of care, by renovating its short-term rehabilitation unit, dining room, nurse stations, therapy rooms, and additional clinical and ancillary services on the unit, and addressing deferred maintenance to the facility. Through the Proposed Project, the Applicant will close 21 Level II beds resulting in 146 beds, including 28 Level IV rest home beds and 118 Level II beds that are dually certified for Medicare and Medicaid and can be used interchangeably for long-term skilled nursing care or for short-term rehabilitation. The Applicant will designate 78 Level II beds for long-term care and 40 Level II beds for short-term rehabilitation. The capital expenditure for the Proposed Project is \$2,995,285.00; and the Community Health Initiatives (CHI) commitment is \$89,858.55.</p> <p>This Application for Determination of Need (DoN) falls within the definition of Substantial Capital Expenditure for a Long-term Care Facility, which is 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 Determination of Need Factor set forth within 105 CMR 100.210. This staff report addresses each of the six factors set forth in the regulation. Pursuant to 105 CMR 100.630, this Application for a Proposed Project on behalf of a Long-term Care Facility with a maximum Capital Expenditure below \$3,000,000 is designated delegated review and Final Action by the Commissioner.</p>	

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Background: Masonic Health System of Massachusetts, Inc.; and Application Overview

Masonic Health System of Massachusetts, Inc. (Applicant) is a nonprofit corporation with a principal place of business at 88 Masonic Home Road, Charlton, MA. The Applicant operates a Continuing Care Retirement Community (CCRC) in Charlton MA with a campus that includes Overlook Masonic Health Center (The Overlook or Facility), a skilled nursing facility (SNF); an Independent Living community; an assisted living memory care unit; and an adult day health program, allowing members to age in place, and move through the care continuum while remaining in the same community. The Applicant provides in-home private companion and custodial services, Medicare certified home health, and hospice and palliative care wherever the individual calls home.

The Overlook, the site of the Proposed Project, is an integral part of the Applicant's CCRC. The Overlook was established in 1908 by the Grand Lodge of Masons in Massachusetts to provide nursing care for Masonic brethren and their family, promoting quality health and services statewide. The Mason's vision included providing a continuum of housing, community and healthcare services as part of its mission. The Applicant has grown to provide a continuum of care to older adults, from independent living to custodial and companion care, geriatric management, skilled nursing, short-term rehabilitation, a rest home, Medicare certified home health, hospice, palliative, adult day, and assisted living memory.

The Overlook is a SNF with 167 licensed beds that provides short-term rehabilitation and long-term care to the Applicant's Patient Panel who are members of the CCRC and members of the surrounding community. Following hospitalization, members can receive post-acute care from The Overlook short-term rehabilitation unit, and higher levels of skilled nursing and long-term care when needed. The Facility, located at the same address as the Applicant, currently has 28 Level IV beds and 139 Level II beds; 27 short-term beds and 112 long-term beds. All Level II long-term care beds at The Overlook are dually certified for Medicare and Medicaid and can be used interchangeably for long-term skilled nursing care or for short-term rehabilitation. Focusing individual units on either short-term or long-term beds allows staff to serve residents efficiently and effectively in each type of unit. All resident rooms at the facility are private rooms with private bathrooms.

Application Overview

The Applicant is proposing to redesign and renovate The Overlook in order to improve the delivery of care and the safety of the built environment for all residents as the current Facility is dated, having received minimal construction and improvements since it was built in 1998. The Applicant affirms that because the proposed renovations can take place within the footprint of the existing facility, there will be minimal disruption, and costs will be minimized, while the care and outcomes of residents will be improved. The Proposed Project is limited to and will be entirely contained on the second floor of the facility. The Applicant maintains that travel through the facility will not be disrupted because travel through the second floor is not required to access other spaces in the

facility. There will be no disruption to patient care, and every effort will be made to minimize sound disturbances.

If the Proposed Project is approved, the Applicant will re-design and renovate its short-term rehabilitation unit to accommodate 40 short-term rehabilitation beds in private rooms and make improvements to the dining room, nurse stations, therapy rooms, and additional clinical and ancillary services on the unit, and address deferred maintenance to the facility. The Applicant states that the renovations to the Facility that will be achieved through the Proposed Project, will improve the care provided, increase resident safety, and improve resident outcomes and quality of life.

Patient Panel¹

The Applicant provided Patient Panel data based on The Overlook's Level II and Level IV resident information for calendar years (CYs) 2021 through 2023.² Staff note the Applicant included an additional year of data from 2020. Patient Panel data are shown in Table 1.

Table 1: The Overlook Patient Panel

	CY21	CY22	CY23	% Change CY21-CY23
Total Level II and Level IV Residents	403	405	433	7.4%

In FY23, almost 100% of the Applicant's Patient Panel was aged 65 and older, 65% were Female, and the payer mix was as follows: 14% Commercial, 29% Medicare FFS, 14% Managed Medicare, 19% Medicaid, 2% Managed Medicaid, and 22% Private Pay. The Applicant states that 422 identify as White and the remaining 11 fall under the category Other/Unknown, to protect patient privacy due to counts less than 11.

The Applicant provided demographic information for residents in Level II beds, the subject of the Proposed Project. This is shown in Table 2. Level II residents include short-term and long-term residents. Short-term residents are defined as those who may be admitted to the facility only when following a qualified hospital stay (inpatient admission) that lasted three days, and long-term residents are those who may be admitted based on meeting admission criteria, but without the need for a qualifying hospital admission, and may reside in the facility for more than 100 days.

¹ 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. Patient Panel also means: (1) If the Applicant or Holder has no Patient Panel itself, the Patient Panel includes the Patient Panel of the health care facilities affiliated with the Applicant; or (2) If the Proposed Project is for a new facility and there is no existing Patient Panel, Patient Panel means the anticipated patients; or (3) In the case of a Transfer of Ownership, Patient Panel also includes the Patient Panel of the Entity to be acquired.

² The Applicant's fiscal year runs on a calendar year.

Patient Information

Demographic data for The Overlook Level II residents is presented in Table 2.

Table 2: Overview of The Overlook Level II Resident Population

CY23		
	Level II Short-Term	Level II Long-Term
Discharges	367	140
Gender		
Male	36%	31%
Female	64%	69%
Total	100%	100%
Age		
<65	0%	2%
65+	100%	98%
Total	100%	100.00%
Race/Ethnicity^{3,4}		
	Predominately White	
Patient Origin⁵		
Charlton	43%	
Sturbridge	11%	
Southbridge	8%	
Dudley	7%	
Webster	7%	
Oxford	4%	
North Brookfield	3%	
Total	83%	
Payer Mix⁶		
Commercial	15%	8%
Medicare Fee-For-Service (FFS)	56%	5%

³ Due to HIPAA privacy rules surrounding low counts, the Applicant is unable to provide relevant percentages with respect to race/ethnicity information for Level II residents.

⁴ The Applicant states that the Town of Charlton, located in southern Worcester County, has a current population of approximately 13,000, and 94% of residents identify as White, with 91% identifying as White/Non-Hispanic.
<https://www.census.gov/quickfacts/fact/table/charltontownworcestercountymassachusetts,US/PST045222>

⁵ The list of towns and one city represents more than 80% of admissions to The Overlook in 2023 for both short-term and long-term residents.

⁶ The Applicant states that when looking at payer mix for short-term and long-term residents separately, the percentages are unlikely to change as a result of the Proposed Project, but given the planned increase in short-term beds and corresponding decrease in long-term beds, the Applicant expects the payer mix to shift proportionally.

Managed Medicare	14%	0%
Medicaid	7%	45%
Managed Medicaid	1%	2%
Private Pay	7%	40%
Total	100%	100%

Factor 1a: Patient Panel Need

In this section, staff assesses if the Applicant has sufficiently demonstrated need for the Proposed Project components by the Applicant's Patient Panel.

The Applicant attributes Patient Panel need for the Proposed Project to the need to upgrade the Facility in order to improve the provision of care, resident services and the resident experience.

I. Need to upgrade the Facility in order to improve the provision of care, resident services and the resident experience

The Applicant states that The Overlook, built in 1998, has received minimal structural and cosmetic improvements in the past 25 years. As a result, the building is dated and disjointed. The proposed renovations will help to address this by centralizing and consolidating resident care areas and services. The renovations proposed through the project will create and optimize resident-centered space to make it safer, and more efficient for residents. The Proposed Project includes a full renovation of the floor to maximize the efficiency of care delivery, improve resident safety, and expand and improve services available to residents, including therapy, dining, and social programming. The Facility's long-term skilled nursing care unit on the second floor will be converted into the Facility's short-term rehabilitation unit. The main changes to the floor plan that will be accomplished through the Proposed Project include increasing the number of resident rooms from 34 to 40, converting the existing nursing station area into a full-service kitchen and dining room, converting half of the existing multi-purpose activity room into a rehabilitation therapy suite, and creating additional conference room/meeting space with the other half of the activity room. Through the Proposed Project, the Applicant will close 21 Level II beds resulting in 118 Level II beds of which 78 beds will be for long-term care residents and 40 beds for short-term rehabilitation residents.⁷ The proposed changes are described further below.

Age-Friendly Features: The Proposed Project will include age-friendly renovations that will improve the physical environment for residents, including frosted finish lights to minimize glare, slip resistance flooring choices, contrasting color choices for walls and flooring, and American with

⁷ All Level II beds are dually certified for Medicare and Medicaid and can be used interchangeably for long-term skilled nursing care or for short-term rehabilitation. The Applicant will maintain the flexibility to use the beds interchangeably for long-term and short-term care after project implementation. The Applicant is required to notify the Department's Division of Health Care Facility Licensure and Certification of any reduction in its licensed bed count.

Disabilities Act (ADA) accessible countertops and bathrooms.

Home-like Environment: The renovations will create a more home-like environment by designing and enhancing the space to mimic home and day-to-day environments. The Applicant maintains that creating a home-like environment will aid in resident recovery and in a safe transition home.

Private and Secure Spaces: The design will include the creation of dedicated space for residents to meet their families privately or for families to meet with staff. The renovated facility will include a private office for staff to discuss resident care as well as a designated medication room only accessible by key card access.

Safety: Currently, there is one nurse's station that doubles as a lobby and permits view of only one patient room. In addition, the nurse's station is large in size which feels overwhelming to residents and limits interactions initiated by residents. In the redesigned unit, the nurse's station will be in a smaller, more personalized space across from the dining area, which the Applicant states will invite engagement from residents who are in the area to eat and socialize. The renovated space will include two new resident lounges at the midpoint of each with adjacent nurse landing stations which better positions staff to both see and hear residents, for enhanced safety. New satellite lounge spaces are being provided at the end of wings to engage residents who may have mobility challenges at the ends of the hall. Resident lounge spaces are paired with staff touch-down desks to provide additional staff-resident touchpoints for engagement and safety.

Rehabilitation Therapy Area: The existing rehabilitation room is 512 square feet and does not provide space sufficient for residents or the necessary equipment for therapy sessions. The redesigned unit will add 363 square feet to the therapy room in order to accommodate four concurrent resident sessions. The rooms will include recumbent bikes, a larger space for balance and obstacle training, and general strengthening equipment. Expansion and renovation of therapy rooms will allow The Overlook to serve a wider range of clinical conditions and therefore serve a greater number of residents. Through the Proposed Project, an outdoor space will be available for working with residents on their uneven surface mobility.

Increased Access to Short-term Rehabilitation Services: The Applicant states that there is unmet need from the Applicant's Patient Panel for short-term rehabilitation services, and that the Proposed Project seeks to match The Overlook's services to the needs of its Patient Panel. The Applicant affirms that the Proposed Project will address three overlapping needs: (1) meeting the needs of its Continuing Care Retirement Community (CCRC) members for short-term rehabilitation and long-term care, (2) improving access to short-term rehabilitation in the community, including expanded clinical capabilities which requires additional capacity, and (3) consolidating its Level II nursing services under one roof and providing renovated space that includes rehabilitation-focused services.

Through the Proposed Project, the Applicant will create a new short-term rehabilitation unit on the second floor of The Overlook in a space that currently houses 34 private rooms occupied by long-term care residents. The Applicant affirms the proposed renovations will address the Patient Panel's increasing need for short-term rehabilitation services by providing more timely access to such services and that the combined effect of the changes will improve health outcomes, including functionality and mobility, and will decrease hospital admissions and allow for more adults to live successfully in the community.

The Applicant states that the shift in utilization towards more short-term utilization will become more prominent as the population ages, and seeks treatment to allow them to live more independently. The Proposed Project is intended to address its Patient Panel's current and projected increasing need for short-term rehabilitation services through providing residents timely access to short-term care in their community. The Applicant states that need for short-term rehabilitation services among older adults is increasing as more adults live longer, more active lives, and as a result of an increase in complex medical conditions that require more specialized care than the Facility can currently provide.

The Applicant asserts that the current trend towards increasing need for short-term beds will continue as a result of an aging population living longer and seeking treatment to enable them to live independently, including short-term rehabilitation to recover from a hospitalization or a surgery. The Applicant provided the example of increasing joint replacements⁸ performed in the United States citing a study on Total Joint Replacements which projects significant increases in the annual rate (incidence) of primary total hip arthroplasty (THA) and total knee arthroplasty (TKA) from 2020 to 2040 across all age groups, if current trends continue.^{a,9} The Applicant maintains that the downstream effect of increasing joint replacements will be an increase in the number of individuals seeking short-term rehabilitation to shorten recovery and maximize functionality, including amongst the Applicant's Patient Panel.

Dining Area: The Proposed Project will create centralized dining, where residents will be more likely to eat with others, which increases socialization and residents' daily movement as they walk to and from the dining room. The current set-up includes the use of multiple small dining spaces which limits the ability of residents to socialize. Currently, there are two dining rooms divided into separate spaces, and because of the configuration design, residents eat in their rooms more frequently, rather than sitting alone in one of the dining spaces. The current design also makes it difficult for staff to see and assist residents in using the space. The new design will allow staff to see and assist residents in using the space. The new space will include a kitchen with windows allowing for two-way visibility so that residents and staff can watch the preparation of their food, creating a

⁸ Total joint arthroplasty (TJA) is a successful elective procedure performed for the treatment of refractory pain and functional limitation associated with end stage arthritis.

⁹ Used the 2000 to 2014 US Nationwide Inpatient Sample (NIS) data in combination with Census Bureau data to produce projections for primary total hip arthroplasty (THA) and total knee arthroplasty (TKA) from 2020 to 2040.

restaurant like atmosphere, and promoting a sense of participation and engagement in the culinary and dining experience. The space will be designed to host enrichment activities, such as games, movies, and music, which the Applicant states will increase likelihood to congregate and socialize, which can improve resident well-being, satisfaction and safety.

Staffing

The Applicant maintains that because the Proposed Project will result in a reduction of the overall Level II licensed bed count at the Facility, the Facility currently has the necessary staffing for the Proposed Project. Additionally, the Proposed Project will promote more efficient staffing patterns because all of the Facility's Level II services will be centralized in one building. The Applicant states that the most significant change to staffing will be the Facility's reduced reliance on temporary staffing agencies. The Applicant will maintain a contract with these staffing agencies to ensure that any staffing needs can be immediately addressed. The Applicant maintains that it will continue to assess future staffing needs as utilization increases, and as a result, the Facility will maintain a competent, dedicated workforce to care for its residents.

Analysis

Staff finds that the Applicant has demonstrated Patient Panel need for renovations to The Overlook to improve the delivery of care, the safety of the built environment, and the resident experience which will contribute to improved quality of life and resident outcomes. As a result of information provided by the Applicant and additional analysis, staff finds that the Applicant has demonstrated that the Proposed Project has met Factor 1(a).

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

Public Health Value: Improved Outcomes and Quality of Life

The Applicant asserts that the renovated space will improve resident safety and satisfaction, and further promote the physical, social, and mental well-being of the Applicant's residents. The Applicant states that it will accomplish the following through the Proposed Project:

- Expand clinical capabilities to further increase access and improve outcomes.
- Improve resident safety through resident-centered, age-friendly design choices.
- Reduce redundancies and promote efficiency through centralization of dining services.
- Provide dedicated spaces for equipment storage, further reducing placement of unused items in corridors.
- Create additional staff touch-down desks near the staff lounges for added engagement, security, and safety.

The Applicant states that The Overlook hosts activities that offer new opportunities and engagement with the broader community, such as The Overlook's partnership with a childcare

center in the same building, through which residents and children engage in activities and programs to promote meaningful interaction for both children and residents to promote emotional, social and physical well-being

The Applicant states that it is exploring options for providing specialized rehabilitation care for residents seeking post-acute, short-term care services for wound and infection, chronic tracheotomy, and substance use disorder. If approved, the Applicant will report on these efforts as part of the annual reporting requirements.

The Applicant states that because all licensed beds are in private rooms, all infection control occurs in a contained area with limited exposure to non-infected residents. The Facility employs an Infection Preventionist and Staff Development Coordinator who work in tandem to educate team members through annual and intermittent in-servicing and competencies for infection control, which includes but is not limited to hand hygiene, personal protective equipment (PPE) don/doff management, and multiple levels of precautions. The Infection Preventionist ensures new information from the Centers for Disease Control and Prevention (CDC) and the Department is reviewed, added to policy as appropriate, presented to the team, and audited for compliance. Team members are vaccinated in accordance with 105 CMR 150.002(D)(8) and 105 CMR 150.002(D)(11). Vaccines are offered to all residents annually, including but not limited to Influenza, COVID-19, pneumonia and respiratory syncytial virus (RSV).

To assess the impact of the Proposed Project, the Applicant developed quality metrics to measure overall satisfaction and quality of care of the short-term rehabilitation unit. The measures are presented in Appendix I and will be reported to DPH on an annual basis following implementation of the Proposed Project.

Analysis: Improved Outcomes and Quality of Life

Staff researched the existing publicly available nursing home quality metrics to determine where the current facility ranks. The Overlook is rated five out of five stars on the CMS Star rating¹⁰ and scores 124 points out of 132 points on the Massachusetts Nursing Home Scorecard.¹¹ The statewide average facility score is 116. Staff finds that improving the built environment by redesigning and renovating the Facility has the potential to improve health outcomes and quality of life for the

¹⁰ Data last updated: April 24, 2024. The rating, between 1 to 5 stars, combines results and data from 3 important sources, including: Health inspections, Staffing, and Quality measures. A star rating is calculated for each of these 3 sources, along with an overall rating.

¹¹ The Maximum Possible Score that a facility can achieve is 132 points. The tool includes information from the 3 most recent standard surveys and information from all complaint surveys performed after or within one year of the most recent standard survey. Five categories (Administration, Nursing, Resident Rights, Kitchen/Food Services, and Environment) are reported and there are 132 scored items (3 surveys x 44 requirements). The nursing facility met 124 out of the 132 key requirements in all five categories in its last three surveys. The number of deficiencies not met as a result of complaint investigations is: 0. The facility's score is 124 after adjustment for scope and severity. 60% of all facilities had a score of 124 or lower. The statewide average facility score is 116.

Patient Panel. As a result, Staff finds that the Applicant meets the requirements of Public Health Value: Health Outcomes as part of Factor 1b.

Public Health Value: Health Equity

The Applicant affirms that it strives to promote health equity as both a provider and an employer and that it will increase access to short-term rehabilitation services and improve the built environment without discriminating or limiting access based on payer source. The Applicant states that it provides culturally and linguistically competent care available to all residents through the following processes:

- Making interpreter services available for residents and family members through BoostLingo phone interpreters
- Providing many of its internal communications in both English and Spanish in recognition of the linguistic needs of its workforce
- Providing cultural competency training for all staff on hire and annually

Analysis: Health Equity

Staff finds that the Applicant has sufficiently demonstrated reasonable efforts to provide equitable access to The Overlook's services. As a result, Staff finds that the Applicant meets the requirements of Public Health Value: Health Equity part of Factor 1b.

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

Care coordination and integration processes through the Applicant's continuum of care as well as with external care providers following a resident's discharge from the Facility's short-term rehabilitation unit, are implemented to ensure that residents are receiving the right level of care in the appropriate setting, and to support ongoing and open communication to promote team-based care and resident-centered care delivery. The Applicant states that it maintains relationships with Harrington Hospital, UMass Memorial, St. Vincent's, and several other hospitals in the surrounding area, which provides the Applicant with an understanding of the post-acute needs of the greater community, allowing for The Overlook to anticipate and plan for new admissions with better efficiency, and fostering open and ongoing communications between The Overlook and the hospital to better facilitate sharing of information.

The Overlook's Case Manager coordinates the work of Social Services, Rehabilitation and Nursing to ensure each resident is receiving the right care at the right time during their stay, and to ensure that resident treatment plans are tailored to the residents' recovery. The Case Manager works to facilitate successful discharge planning which begins at the start of a resident's admission to The Overlook. Processes to support successful discharge planning include scheduling a post-stay appointment with the resident's primary care provider (PCP), and coordinating services once the

resident is discharged home, such as home health, meal delivery, and other community-based services that the resident may need for a successful transition and long-term recovery. Continuum of care meetings hosted by the Applicant with representatives from each level of care provided by the Applicant enable The Overlook to quickly address changes in residents and implement a plan to add or increase services, or move a resident to a more appropriate level of care to address the resident's changing care needs. For incoming admissions, the Applicant obtains access to certain medical records via electronic medical record access, and if shared access is unavailable, the discharging hospital will provide the Applicant with a copy of the record via a secured electronic method or paper copy. The Applicant states further that medical records are only shared after obtaining a signed release authorizing the sharing of information, and in the manner prescribed, including fax, email or mail.

Analysis

As a result of the processes in place to support coordination of care and continuity of care for the Applicant's Patient Panel, Staff finds that the Proposed Project meets the requirements of Factor 1c.

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 Guideline^{dd} 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."^{ee}

To comply with the community engagement requirement, the Applicant hosted the following events:

- **Eight Focus Groups:** conducted with The Overlook and community stakeholders on January 23rd and 24th, 2024.
- **Town Hall:** conducted for The Overlook residents on January 17, 2024.
- **Family Night:** conducted on January 23, 2024 for family members of The Overlook residents.
- **Virtual Public Meeting:** held on January 30, 2024.

The Applicant states that more than 200 residents, staff and community members participated in

the events, and contributed to the vision and design of the Proposed Project. A specific need for resident engagement space was identified. Feedback received during the events regarding the use of clinical and common space, lighting and outlet placement, flooring choices, and resident flow is currently being incorporated into final design plans. The Applicant states the Proposed Project is reflective of the needs of the Applicant's Patient Panel because of the continuous involvement of the community in the planning process.

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. As a result, Staff finds that the Proposed Project meets the requirements of Factor 1e.

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

The Applicant states that the Proposed Project will compete on the basis of price, total medical expenses (TME), and other measures of health care spending by expanding access to The Overlook's services to CCRC's members and the surrounding community which will address projected increasing need for such services, and support the discharge of patients from the hospital to the appropriate care setting in a timelier manner. This will in turn, free up medical/surgical (M/S) capacity for other patients, which can decrease ED boarding, and reduce health care spending across the healthcare continuum. The Applicant states that it will not increase its insurance rates for short-term and long-term care as a result of the Proposed Project.

Analysis

Staff finds that, on balance, the requirement that the Proposed Project will likely compete on the basis of price, TME provider costs, and other measures of health care spending and therefore, the requirements of Factor 1f have been met.

Factor 1 Summary

As a result of information provided by the Applicant and additional analysis, staff finds that with the standard reporting requirements, the Applicant has demonstrated that the Proposed Project has met Factor 1(a-f). The Applicant proposed specific outcome, and process measures to track the impact of the Proposed Project which staff has reviewed, and which will become a part of the reporting requirements. These measures are shown in Appendix I.

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

Cost Containment

The Applicant affirms that the Proposed Project meaningfully contributes to the Commonwealth's goals for cost containment, which include focusing on high quality care at the lowest reasonable cost, because it will improve access to The Overlook's services and improve health outcomes. As noted above in Factor 1f, the Proposed Project will not increase the insurance rates of the services provided by the Applicant and will not impact residents insurance costs. Further, the improved health outcomes and operational efficiencies that will be achieved through the Proposed Project can reduce overall healthcare spending.

Analysis: Cost Containment

DoN Staff can conclude that the Proposed Project will likely meet the cost containment component of Factor 2.

Improved Public Health Outcomes

The Applicant affirms that the Proposed Project will promote and optimize clinical care delivery, quality of life, and health outcomes. The proposed renovations to the facility will provide the necessary space and amenities for The Overlook to expand its clinical capabilities, and will increase resident safety through resident-centered, age-friendly design choices. Increasing access to short-term rehabilitation services can achieve improved health outcomes through lowering rates of hospital re-admissions, and reducing infections, and functional decline. Through the proposed changes to the facility, the Applicant states, The Overlook will increase Patient Panel access to its services, and improve the provision of care, which can improve health outcomes, resident experience, resident satisfaction and quality of life.

Analysis: Public Health Outcomes

DoN Staff can conclude that the Proposed Project will likely meet the Public Health Outcomes component of Factor 2.

Delivery System Transformation

The Applicant states that The Overlook's Interdisciplinary Team oversees and coordinates each resident's care using a resident-centered, holistic approach and works to facilitate a successful transition back to the community. The Interdisciplinary Team, which is comprised of The Overlook's Case Manager, and representatives from Nursing, Social Services, Rehabilitation, Activities and Minimum Data Set (MDS) coordinators, meets daily to ensure each resident has the resources necessary for their recovery, both during their stay and upon discharge home. Services set up to support these efforts include setting up a private duty nursing or home health meal delivery options, or addiction services.

Analysis: Delivery System Transformation

The Applicant has demonstrated how the Proposed Project has the potential to improve the continuity of care and health outcomes. Therefore, DoN Staff can conclude that the Proposed Project will likely meet the Delivery System Transformation component of Factor 2.

Factor 2 Summary

As a result of information provided by the Applicant and additional analysis, staff finds that with the standard reporting conditions, the Applicant has demonstrated that the Proposed Project has met 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 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 conducted by an independent CPA. The Applicant submitted a report performed by Meyers Brothers Kalicka, P.C. (CPA Report).

The CPA report details the CPA's analysis and findings with regards to the reasonableness of assumptions used in the preparation and feasibility of the projected financial information of the Project as prepared by management of Overlook (Management).¹² Reasonableness is defined within the context of this report as supportable and proper, given the underlying information. Feasibility is defined as based on the assumptions used, the plan is not likely to result in insufficient 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.

The CPA analysis included a review of numerous documents in order to form an opinion as to the reasonableness and feasibility of the projections regarding the Proposed Project.

Sources of information used and relied upon in the report:

- Historical nursing home, sub-acute, rest home, and fieldstone patient volume at Overlook

¹² In addition to the 167 beds licensed by the Department, the CPA report also includes revenues and expenses for 14 fieldstone beds that are licensed under the Massachusetts Executive Office of Health and Human Services.

Masonic Health Center for the years ended December 31, 2020, 2021 and 2022 and annualized 2023, which was based on the nine months ended September 30, 2023.

- Historical nursing home, sub-acute, rest home, and fieldstone revenue for the years ended December 31, 2020, 2021 and 2022 and annualized 2023, which was based on the nine months ended September 30, 2023.
- Historical operating statements of Overlook Masonic Health Center for the years ended December 31, 2020, 2021 and 2022 and annualized 2023, which was based on the nine months ended September 30, 2023.
- Projected nursing home, sub-acute, rest home, and fieldstone volume at Overlook Masonic Health Center for the years ending December 31, 2025, 2026, 2027, 2028 and 2029.
- Projected revenue and expenses for the Project for the years ending December 31, 2025, 2026, 2027, 2028 and 2029.
- Projected statements of cash flows from operations for the Project for the years ending December 31, 2025, 2026, 2027, 2028 and 2029.
- Overlook Masonic Health Center's 2024 budget.
- Electricity supply agreement between Overlook Masonic Health Center and Constellation NewEnergy, Inc. beginning in June 2025.
- Masonic Health System of Massachusetts, Inc.'s 2024 budget.
- Masonic Health System of Massachusetts, Inc.'s audited consolidated financial statements as of and for the years ended December 31, 2021 and December 31, 2022.
- Construction contractor budget for the proposal of project costs.
- DON Application Instructions dated March 2017.
- DON Narrative draft provided March 8, 2024.
- DON Application Form
- Total project costs of the Applicant

Revenues: The CPA reviewed and analyzed the net operating revenues in the historical and projected financial information. Based on discussions with Management and review of the historical patient days analysis, after the re-design and renovation of its post-acute care unit, the Facility will have 40 beds in its short-term rehabilitation unit operating at 80% capacity for the year ending December 31, 2025 and increasing to 90% capacity for the year ending December 31, 2026. The Facility will also have 78 beds in its long-term care (LTC) unit operating at 95% capacity, 28 beds in its rest home (RH) unit operating at 100% capacity, and 14 beds in its fieldstone unit operating at 93% capacity for the years ending December 31, 2025 through December 31, 2029. The CPA report states that occupancy rates are consistent with historical averages.

For the year ending December 31, 2025, average service revenue per patient day for Short-term care, long-term care, rest home, and fieldstone is projected to be \$625, \$419, \$296, and \$263, respectively. These rates are based on historical information and projected rates by service category. Service revenue per patient day will vary based on the payor mix.

Management estimated ancillary revenue ranging from approximately \$1,475,000 to \$1,660,000 for the years ending December 31, 2025 through December 31, 2029, which is based on historical information. Ancillary services revenue is projected to be approximately 5% to 6% of total annual revenue. Total revenue is expected to increase approximately 3% every year through December 31, 2029.

The CPA analyzed projected/pro-forma revenue for the years ending December 31, 2025, 2026, 2027, 2028, and 2029 in relation to the historical results of Overlook to assess the reasonableness of the projected/pro-forma statements, and determined that the revenue projected by Management is a reasonable estimation and conservative based primarily upon historical volume of operations and other factors, and based on their analysis found that pro-forma revenues are reasonable.

Expenses: The CPA analyzed each of the categorized expenses for reasonableness and feasibility as it relates to the projected revenue.

Salaries and wages in the year ending December 31, 2025 includes:

- 265 full-time equivalents (FTEs), of which 1 FTE is a director of nursing with an average salary of \$144,000,
- 9 FTEs are registered nurses (RN) with an average salary of \$91,000,
- 25 FTEs are licensed practical nurses (LPN) with an average salary of \$74,000,
- 71 FTEs are certified nursing assistants (CAN) with an average salary of \$47,000, and
- the remainder of the employees, whose average annual salary for the year ending December 31, 2025 is approximately \$39,300, work in other departments within the Facility.

Management assumed any increase in FTEs in the years ending December 31, 2026 through December 31, 2029 in relation to an increase in capacity will be outsourced through contract labor, which is included in other expenses. Management assumes a 3% cost of living adjustment every year. Management has estimated the projected fringe benefits at approximately 18% of salaries and wages, which is consistent with historical fringe benefits.

The management fee is paid to Masonic Health System of Massachusetts, Inc. by The Overlook to cover various operating expenses, which is based on the percentage of total consolidated revenue. Management has estimated The Overlook will make up 47% of Masonic Health System of Massachusetts, Inc.'s total consolidated revenue in the year ending December 31, 2025. Management assumes a 3% increase every year in the management fee, which is in line with the anticipated annual increase in revenue.

The Overlook has entered into a fixed rate contract for electricity beginning in June 2025, which runs through May 2027. The overall savings on electricity from this contract are anticipated to be approximately \$250,000.

User fees are paid to the Commonwealth of Massachusetts by Overlook and are charged on a per day basis to patients who are insured by providers other than Medicare.

Other expenses in the year ending December 31, 2025 include ancillary service expenses (40%), professional fees (16%), unemployment (9%), and other miscellaneous operating expenses (35%). Other expenses in the year ending December 31, 2026 includes approximately \$213,000 of contract labor to cover the transition related to the increase in the number of projected patient days of 1,460. Management assumes an approximate 7% increase in other expenses for the years ending December 31, 2027 through December 31, 2029.

Costs of approximately \$2,995,285 for construction, architectural, and development costs will be depreciated over 20 years, beginning in the year ending December 31, 2025. The anticipated annual depreciation for the project will be approximately \$150,000 per year. Additional depreciation expense related to existing assets in service will be approximately \$1,496,000 per year.

The CPA analyzed the projected/pro forma expenses for the years ending December 31, 2025 through December 31, 2029 in relation to the existing operations at Overlook for the years ended December 31, 2020, 2021, 2022 and annualized 2023, based on the nine months ended September 30, 2023, in order to assess the reasonableness of the projected/pro forma statements. Based on the CPA's analysis, the pro-forma total expenses projected by Management are a reasonable estimation and conservative based primarily upon historical volume of operations and other factors.

Cash Flows: Based upon the CPA's discussions with Management and review of the information provided, the CPA determined the capital needs and ongoing operating costs required for the re-design and renovation of The Overlook's post-acute care unit are not likely to result in a scenario where there is negative cash flow.

Capital Expenditure: Based upon the CPA's discussions with Management and review of the information provided the projected capital expenditures are \$2,995,285. The CPA determined the Applicant has the resources to fund the initial capital requirements.

CPA's Conclusion of Feasibility: "We determined that the projections were not likely to result in insufficient funds available for ongoing operating costs necessary to support the Project. Based upon our review of the projections and relevant supporting documentation, we determined the re-design and renovation of Overlook's post-acute care unit and the capital needs associated with the Project is financially feasible and within the financial capability of the Applicant."

Analysis

Staff is satisfied with the CPA's analysis of the Applicant's decision to proceed with the Proposed Project. As a result, staff finds the CPA analysis to be acceptable and that the Applicant has met the requirements of Factor 4.

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

The Applicant has provided sufficient evidence that the Proposed Project, on balance, is superior to alternative and substitute methods for meeting the existing Patient Panel needs identified by the Applicant pursuant to 105 CMR 100.210(A)(1). Evaluation of 105 CMR 100.210(A)(5) shall take into account, at a minimum, the quality, efficiency, and capital and operating costs of the Proposed Project relative to potential alternatives or substitutes, including alternative evidence-based strategies and public health interventions.

Alternative 1: Forgo the Proposed Project and continue operation of The Overlook with no renovations.

- **Quality:** Quality would not improve because the building would remain in its current and declining physical state and the renovations needed to address service delivery and efficiency would not be done, which would further prevent The Overlook from expanding its clinical capabilities and offering to the community.
- **Efficiency:** The current facility is aging and without renovations to modernize the space and service offerings, inefficiencies would persist, such as insufficient storage and multiple, unused dining rooms.
- **Capital Expenses:** There is no capital expenses associated with this alternative. However, capital expenses would occur at a later date to address the deferred maintenance.
- **Operating Costs:** There would be no change to current operating costs. The Applicant notes that operating expenses will decrease as a result of the Proposed Project due to the reduction in capacity of the Facility, and the corresponding reduction in need for additional staff, including reliance on temporary staff.

Analysis

Staff finds that the Applicant has appropriately considered the quality, efficiency, and capital and operating costs of the Proposed Project relative to potential alternatives. As a result of information provided by the Applicant and additional analysis, staff finds the Applicant has reasonably met the standards of Factor 5.

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

The DoN regulation requires Long Term Care Facilities completing a Substantial Capital Expenditure project to contribute 3% of the total value of the project, to the Massachusetts Statewide Healthy Aging Fund. The Applicant confirmed with the DPH that payment shall be made in two equal installments. Traditionally, the first installment is due within 30 days from the date of the Notice of Approval and the second installment is due within 12 months of the Notice of Approval. Any deviation to this payment schedule will require program approval. Based on the Applicant's compliance with the above requirement, the Applicant meets the terms of Factor 6.

Findings and Recommendations

Based upon a review of the materials submitted, Staff finds that, with the addition of the recommended Conditions detailed below, 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 and Other Conditions.

Other Conditions

1. The total required CHI contribution of \$89,858.55 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 payment to Health Resources in Action (HRiA), the fiscal agent for the CHI Statewide Initiative, in **two installments**.
 - a. The Holder must submit the first installment of \$44,929.27 to HRiA **within 30 days** from the date of the Notice of Approval.
 - b. The Holder must submit the second installment of \$44,929.28 to HRiA **within 12 months** from the date of the Notice of Approval.
3. Payments should be made out to:
Health Resources in Action, Inc. (HRiA)
2 Boylston Street, 4th Floor
Boston, MA 02116
Attn: MACHHAF c/o Bora Toro
DoN project #: _____
 - a. The **Holder must promptly notify DPH** (CHI contact staff) when each payment has been made. Please send a PDF image of the check or **confirmation of payment** to DONCHI@Mass.gov and dongrants@hria.org
 - b. If you should have any questions or concerns regarding the payment, please contact the CHI team at DONCHI@Mass.gov.

Appendix I: Required Measures for Annual Reporting

The Holder shall, on an annual basis, commencing with approval of this DoN, and continuing annually for a period of five years after the Project is complete, report on the following data elements, pursuant to 105 CMR 100.310(A)(12). Reporting will include a description of numerators and denominators. If applicable, include baseline data for measures (a year prior to implementation of DoN-approved project).

1. **Rehospitalizations:** High quality care coupled with a safe environment reduce the risk of rehospitalization.

Measure: The Applicant will measure the rate of hospital readmissions.¹³

$$\frac{\text{\# of rehospitalization per year}}{\text{\# of residents}}$$

	2023	Year 1	Year 2	Year 3
Rehospitalizations	27%	24%	22%	20%

2. **Infection Prevention and Control:** Due to risks associated with increased age, skilled nursing facility residents are more susceptible to poor outcomes when faced with infections. In a post- COVID-19 environment, infection control is at the forefront of concerns at skilled nursing facilities.

Measure: The Applicant will measure the incidence rate of new nosocomial infections.

$$\frac{\text{\# of new nosocomial infection occurring per year}}{\text{\# of resident days per year}}$$

* 1000 = incidence rate

Quality Measure #2	2023	Year 1	Year 2	Year 3
Infection Rate	4.17%	4%	3.9%	3.75%

¹³ These are the Applicant's internal metrics and may not match Medicare's Value-Based Purchasing program values.

REFERENCES

^a Singh JA, Yu S, Chen L, Cleveland JD. Rates of Total Joint Replacement in the United States: Future Projections to 2020-2040 Using the National Inpatient Sample. *J Rheumatol*. 2019 Sep;46(9):1134-1140. doi: 10.3899/jrheum.170990. Epub 2019 Apr 15. PMID: 30988126.