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MARYLAND HEALTH CARE COMMISSION

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MEMORANDUM

TO: Commissioners

FROM: Paul E. Parker, Director *pep*
Center for Hospital Services

DATE: July 19, 2012

SUBJECT: 525 Glenburn Avenue Operations, LLC d/b/a Chesapeake Woods Center
Change in the Bed Capacity of a Comprehensive Care Facility
Docket No. 12-09-2331

Chesapeake Woods Center is a 98-bed comprehensive care facility located in Cambridge (Dorchester County). It is operated by Genesis Corporation. A 32-bed addition to this facility is proposed that will add 23 beds, through construction of an 18,500 square foot addition. The project will take this facility from one with six private and 46 semi-private rooms to one with 47 private and 37 semi-private rooms. The design for the addition will include a 1,400 square foot rehabilitation gym and an outdoor courtyard. The total estimated cost of the project is \$3,492,000. The sources of funding anticipated include \$17,000 in cash from the applicant and \$3,475,000 in funds from Health Care REIT, owner of the real facility assets.

Staff recommends approval of this project with a standard condition.

IN THE MATTER OF

CHESAPEAKE WOODS

CENTER

DOCKET NO. 12-09-2331

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BEFORE THE

MARYLAND HEALTH

CARE COMMISSION

Staff Report and Recommendation

July 19, 2012

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STAFF REPORT AND RECOMMENDATION

I. INTRODUCTION

The Applicant and the Project

Chesapeake Woods Center (“Chesapeake Woods”) is a 98-bed comprehensive care facility (“CCF”) located at 525 Glenburn Avenue in Cambridge (Dorchester County). The application identifies the applicant as 525 Glenburn Avenue Operations, LLC, an entity identified by Genesis Corporation (“Genesis”) as the entity which would become the license holder for the project. The applicant leases the property for the facility from Meridian Healthcare, Inc., a subsidiary of Health Care REIT, which owns all of the real estate assets of Genesis Healthcare.

Genesis operates over 200 skilled nursing homes, and senior and assisted living residences in 13 eastern states. The applicant is a major provider of nursing home services in Maryland and in the nation. The Genesis website indicates that it operates 35 nursing homes in Maryland, with four facilities located on the Eastern Shore.¹ These four facilities are Corsica Hills Center (Queen Anne’s), The Pines (Talbot), Salisbury Rehabilitation and Nursing Center (Wicomico), and Chesapeake Woods Center in Dorchester County.

Genesis proposes to build a 32-bed addition to Chesapeake Woods Center, an existing 98 bed comprehensive care facility (CCF) located in Cambridge, Maryland. Built in 1990, the facility currently has six private rooms 46 semi-private rooms. The new addition would include 23 additional CCF beds that the MHCC has projected as needed for Caroline County, which the applicant requests under the provisions of COMAR 10.24.08/07A(1)(c). The remaining nine beds in the new wing would come from the conversion of nine existing semi-private to private rooms. The applicant will construct an 18,500 square foot addition that will take into account the current architecture of the facility. With the completion of this project, Chesapeake Woods would have 121 CCF beds, with 47 private occupancy and 37 semi-private rooms.

The addition will be located on 7.75 acres. Each newly constructed resident room will include a private bath and toilet, and a small sitting area. The designs for the addition will include a 1,400 square foot rehabilitation gym and an outdoor courtyard for patient exercise and use as well as a café and lounge spaces. The addition will include a nurses station, medication room, and clean and soiled laundry area. The construction of the new addition will take into account the latest design and standards for nursing homes.

The total estimated cost of the project is \$3,492,000, which includes \$3,417,000 in total capital costs, and \$75,000 in loan placement, legal, and consultant fees. The sources of funding anticipated include \$17,000 in cash from the applicant and \$3,475,000 in funds from Health Care REIT.

¹ Available at: <http://www.geneshcc.com/findlocations/type/location/distance/25/search/Maryland>

Summary of Staff Recommendation

Staff analyzed the proposed project's compliance with the applicable State Health Plan criteria and standards in COMAR 10.24.01.08, State Health Plan: Long Term Care Service, and the remaining criteria at COMAR 10.24.01.08G(3) and recommends **APPROVAL** with the following conditions:

At the time of first use review, Chesapeake Woods Center shall provide the Commission with a completed Memorandum of Understanding with the Maryland Medical Assistance Program agreeing to maintain the minimum proportion of Medicaid patient days required by Nursing Home Standard COMAR 10.24.08.05A(2).

II. PROCEDURAL HISTORY

Review Record

Chesapeake Woods Center filed a letter of intent for this project on December 2, 2011; staff acknowledged receipt of the letter of intent on December 7, 2011 (Docket Item ["D.I."] #1).

On February 3, 2012, a CON application was filed on behalf of 525 Glenburn Avenue Operations, LLC and Chesapeake Woods Center (D.I. #2) and assigned Matter No. 12-09-2331. Receipt was acknowledged by letter of February 6, 2012 (D.I. #3). On that same day, staff requested that the *Times Record*, the *Daily Banner*, and the *Maryland Register* publish notice of receipt of the application. (D.I. #s 4-6).

On February 17, 2012, confirmation of publication of the notice of receipt of the application in the *Daily Banner* on February 22, 2012 was received. (D.I. #7)

On February 23, 2012, the applicant was notified that the application would be docketed on March 9, 2012, and staff asked additional questions. (D.I. #8).

On February 23, 2012, staff requested that the *Times Record* and the *Star-Democrat* publish notice of receipts of the application. (D.I. #s 9-10)

On March 9, 2012, staff requested the *Maryland Register* publish notice of the docketing of the application. (D.I. #11)

On February 23, 2012, staff submitted a request for review and comment, along with a copy of the application, was sent to the Dorchester County Health Department (D.I. #12).

On February 27, 2012, confirmation of publication of the notice of receipt of the application in the *Daily Banner* on February 22, 2012 was received. (D.I. #13)

On February 29, 2012, confirmation of publication of the notice of docketing of the application in the *Star Democrat*, on February 29, 2012, was received. (D.I. #14)

The applicant responded to the additional questions and provided a letter of support from Senator Richard F. Colburn on March 7, 2012. (D.I. #15)

Local Government Review and Comment

No comments on this project have been received from the Dorchester County Health Department or other local government entities.

The applicant provided letters of support for this project from the following persons:

- 1) Senator Richard F. Colburn, 37th Legislative District representing Caroline, Dorchester, Talbot, and Wicomico Counties
- 2) Nicholas Borodulia, M.D., Medical Director, Chesapeake Woods Center

Interested Parties in Review

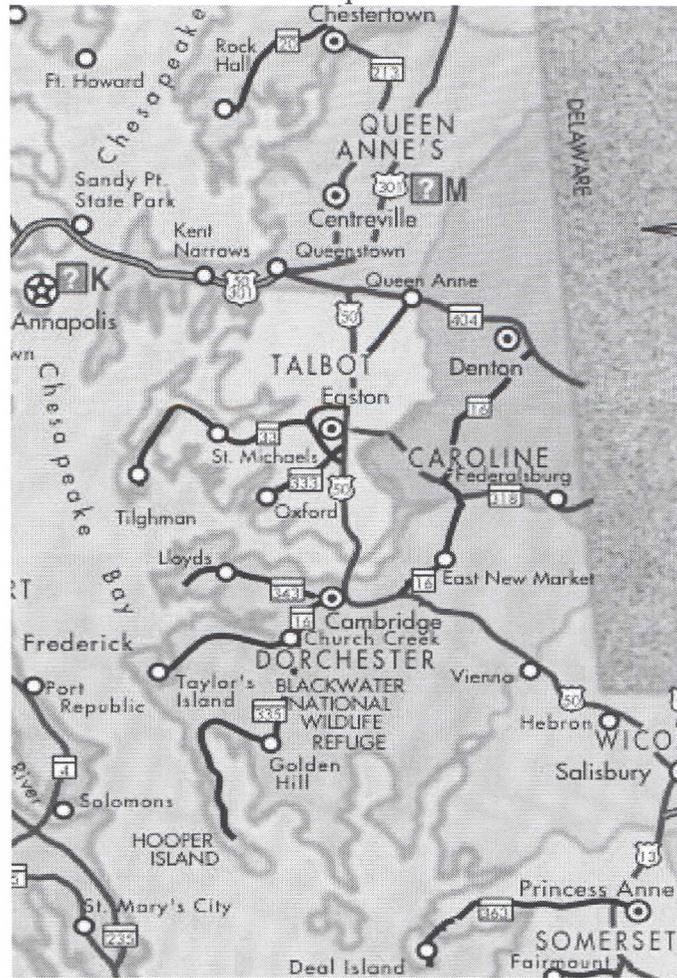
There are no interested parties in this review.

III. DEMOGRAPHIC BACKGROUND

Caroline and Dorchester County Population: Growth Patterns and Age Composition

The following tables identify population growth and aging in Caroline and Dorchester Counties and in Maryland. These two counties are adjacent to each other and located on the Eastern Shore. Please see Map 1. The Maryland Department of Planning (MDP) reports that the total population in Caroline and Dorchester Counties reported in the 2010 U.S. Census is similar in size. Please see Table 1. The MDP's population projections indicate that the total population in Caroline County will outgrow Dorchester County in 2020 and 2030 so that by the year 2040, Caroline will have a population of 45,950 compared to 40,004 in Dorchester, a difference of 4,946 or about 14.86%. Conversely, the number of people aged 65 and over in Dorchester will increase faster than in Caroline County during this same time period. By 2040, the number of people age 65 and over in Dorchester will total 9,290 while Caroline will have 6,295, or a difference of 2,995 people (about 47.57%).

Map 1



Source: Eastern Shore Visitor. Available at: <http://www.easternshorevisitor.com/maryland-eastern-shore.html>

**Table 1: TRENDS IN POPULATION BY AGE GROUP,
Caroline and Dorchester Counties and State of Maryland, CY 2000 – 2040**

Caroline County	Population					% Change				
	2000	2010	2020	2030	2040	2000-2010	2010-2020	2020-2030	2030-2040	2000-2040
0-14	6,566	6,886	8,238	9,638	11,140	4.87%	19.63%	16.99%	15.58%	69.66%
15-44	12,283	12,544	13,925	16,457	18,757	2.12%	11.01%	18.18%	13.98%	52.71%
45-64	6,892	9,223	9,051	8,388	9,758	33.82%	-1.86%	-7.33%	16.33%	41.58%
65-69	1,126	1,439	1,869	2,105	1,642	27.80%	29.88%	12.63%	22.00%	45.83%
70-74	990	1,007	1,476	1,855	1,604	1.72%	46.57%	25.68%	13.53%	62.02%
75+	1,915	1,967	2,089	2,705	3,049	2.72%	6.20%	29.49%	12.72%	59.22%
Total	29,772	33,066	36,648	41,148	45,950	11.06%	10.83%	12.28%	11.67%	54.34%
Dorchester County	Population					% Change				
	2000	2010	2020	2030	2040	2000-2010	2010-2020	2020-2030	2030-2040	2000-2040
0-14	5,833	5,794	6,446	6,766	7,318	-0.67%	11.25%	4.96%	8.16%	25.46%
15-44	11,605	11,247	11,459	12,628	13,095	-3.08%	1.88%	10.20%	3.70%	12.84%
45-64	7,813	9,806	9,969	9,401	10,301	25.51%	1.66%	-5.70%	9.57%	31.84%
65-69	1,503	1,785	2,312	2,813	2,248	18.76%	29.52%	21.67%	20.09%	49.57%
70-74	1,369	1,401	1,939	2,552	2,286	2.34%	38.40%	31.61%	10.42%	66.98%
75+	2,551	2,585	2,875	3,791	4,756	1.33%	11.22%	31.86%	25.46%	86.44%
Total	30,674	32,618	35,000	37,951	40,004	6.34%	7.30%	8.43%	5.41%	30.42%
State of Maryland	Population					% Change				
	2000	2010	2020	2030	2040	2000-2010	2010-2020	2020-2030	2030-2040	2000-2040
0-14	1,136,846	1,110,385	1,155,943	1,202,172	1,221,401	-2.33%	4.10%	4.00%	1.60%	7.44%
15-44	2,334,925	2,357,553	2,422,097	2,546,503	2,600,804	0.97%	2.74%	5.14%	2.13%	11.39%
45-64	1,225,408	1,597,972	1,637,289	1,534,792	1,621,054	30.40%	2.46%	-6.26%	5.62%	32.29%
65-69	168,242	226,596	331,533	392,357	325,493	34.68%	46.31%	18.35%	17.04%	93.47%
70-74	153,043	159,761	264,166	340,675	323,346	4.39%	65.35%	28.96%	-5.09%	111.28%
75+	278,022	321,285	405,128	595,400	769,799	15.56%	26.10%	46.97%	29.29%	176.88%
Total	5,296,486	5,773,552	6,216,156	6,611,899	6,861,897	9.01%	7.67%	6.37%	3.78%	29.56%

Source: Maryland Department of Planning

Charts 1 (Caroline) and Chart 2 (Dorchester) illustrate the growth from 2000 to 2040 in the number of people for the age groups 64 through 69, 70 through 74, and age 75 years and over. The charts indicate that the number of people in the age groups 64 to 69 and between 70 to 74 have similar rates of growth in both Caroline and Dorchester Counties between 2000 through 2040. For Dorchester County, the MDP projects the population in the age group 75 years and over will increase significantly to over 4,700 people by the year 2040.

Chart 1

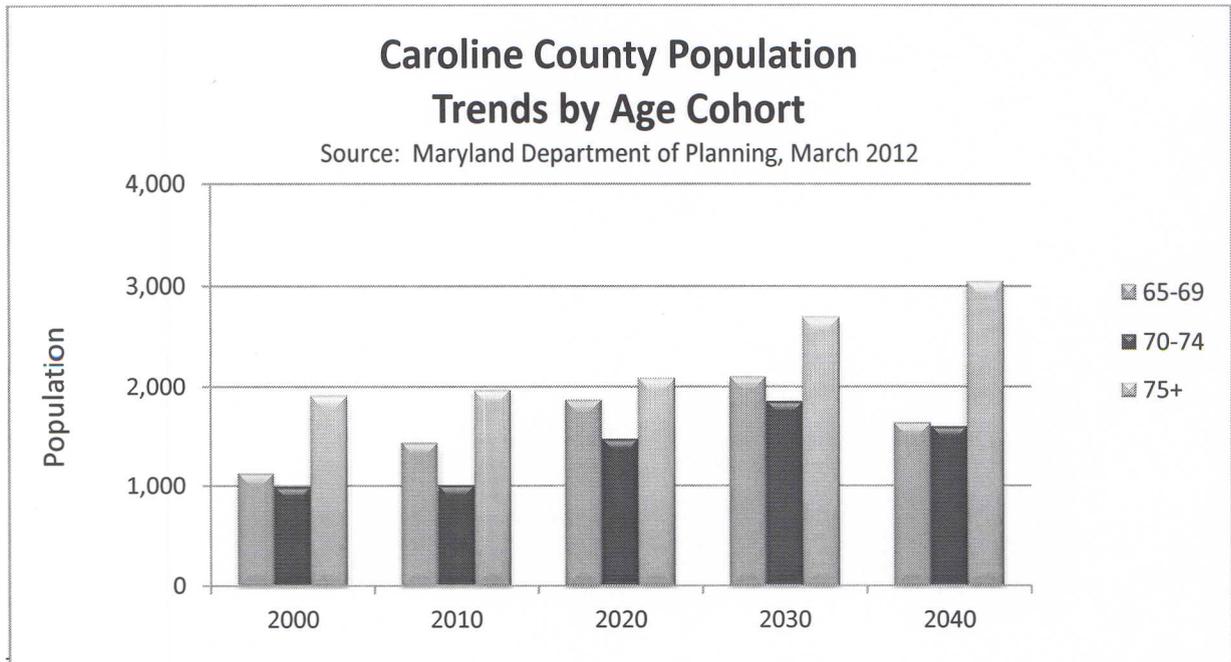


Chart 2

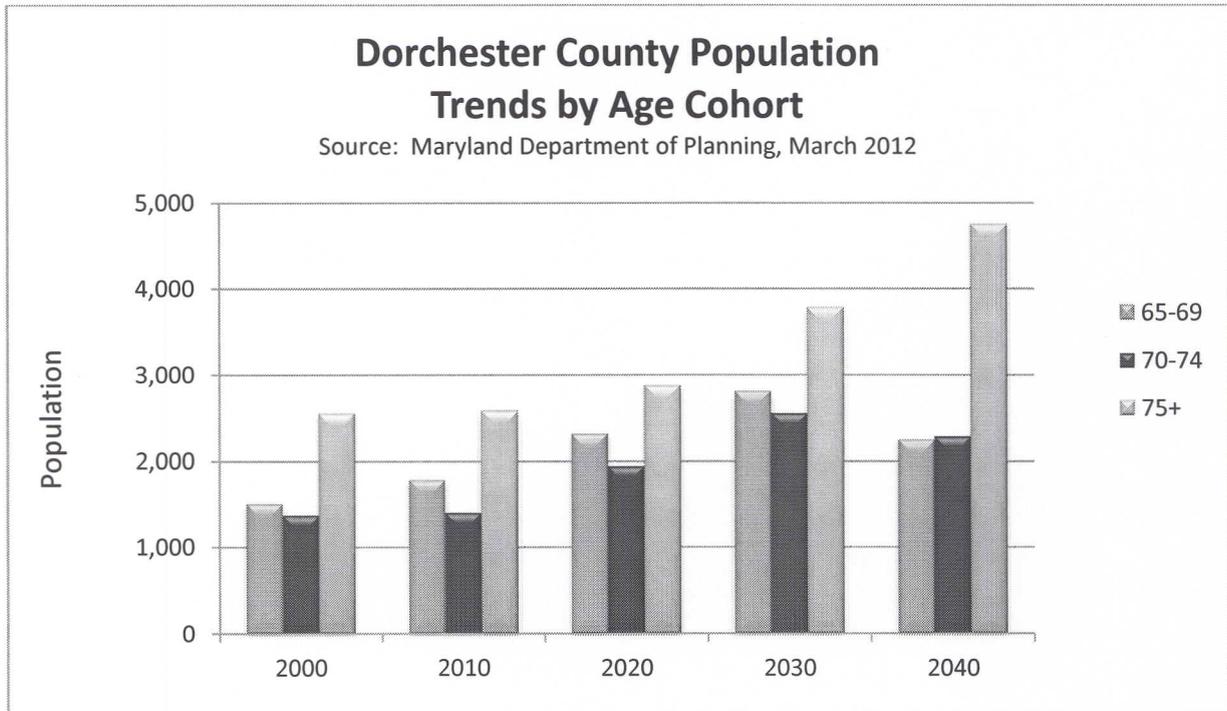
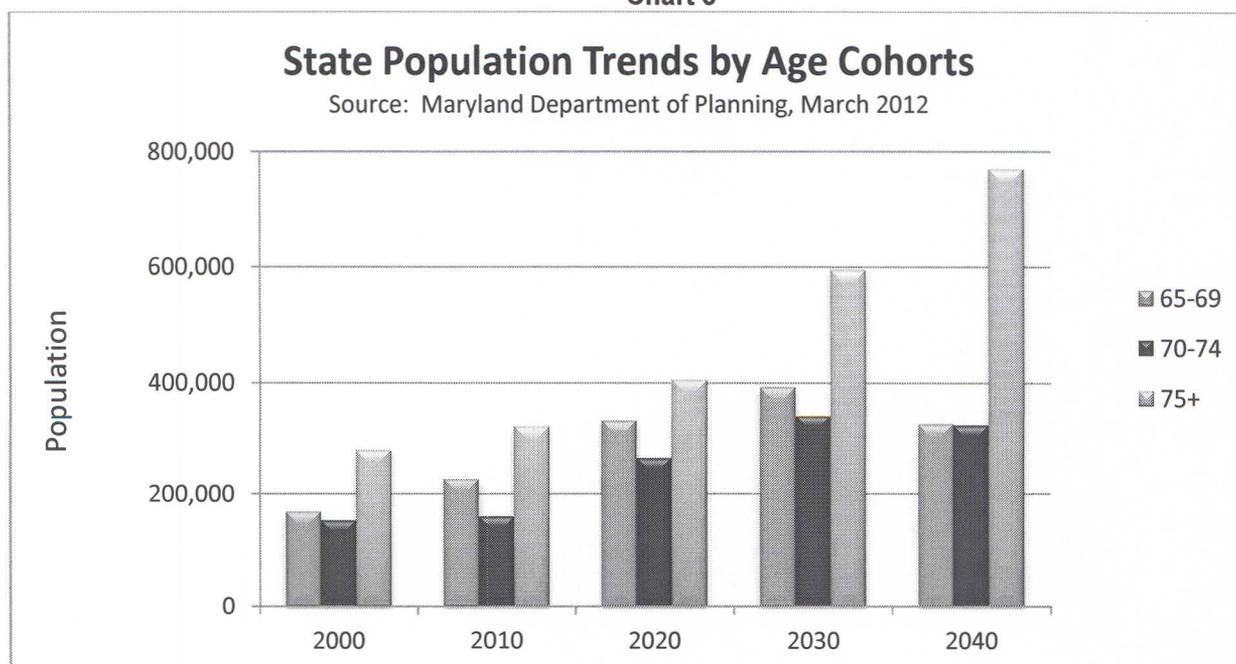


Chart 3



Long-Term Care Facilities in Caroline and Dorchester Counties

There are currently 2 comprehensive care facilities operating in Caroline and in Dorchester County. There are 195 CCF beds operating in Caroline and 258 CCF beds in service in Dorchester County. Both nursing homes in Caroline County are located in the city of Denton, whereas the two facilities in Dorchester operate in Cambridge. There are no approved beds that have not been put into service.

Utilization of Comprehensive Care Facility Beds in Caroline and Dorchester Counties

Overall demand for comprehensive care facility bed capacity at CCFs in Caroline and Dorchester County has been relatively flat in recent years. The jurisdiction's average annual CCF bed occupancy rate has ranged between high 87 and low 90%.

Table 2: Patient Days Caroline & Dorchester County Nursing Homes 2007-2010

Facility	2007	2008	2009	2010	Change 2007-2010
Caroline					
Caroline Nursing & Rehab Center, Inc.	33,056	32,387	32,472	31,995	-3.21%
Envoy of Denton	33,348	33,772	32,627	34,268	2.76%
County Total	66,404	66,159	65,099	66,263	-0.21%
Dorchester					
Chesapeake Woods Center	33,178	33,477	33,475	32,798	-1.15%
Signature Healthcare at Mallard Bay	44,625	45,806	44,417	40,255	-9.79%
County Total	77,803	79,283	77,892	73,053	-6.11%
TOTAL (Caroline & Dorchester)	144,207	145,442	142,991	139,316	-3.39%

Source: MHCC LTC Survey

Table 3: Facility, County and State CCF Occupancy, Caroline & Dorchester County, 2007 – 2010

	Beds (Current)	2007	2008	2009	2010
Caroline					
Caroline Nursing & Rehab Center, Inc.	95	91.04%	91.24%	93.65%	92.27%
Envoy of Denton	100	91.36%	92.27%	89.39%	93.88%
County Total	195	91.20%	91.77%	91.46%	93.10%
Dorchester					
Chesapeake Woods Center	98	92.75%	93.33%	93.58%	91.69%
Signature Healthcare at Mallard Bay	160	82.88%	79.46%	85.88%	80.97%
County Total	258	86.82%	84.78%	89.03%	85.46%
Total (Caroline & Dorchester)	453	88.79%	87.82%	90.12%	88.93%
Maryland		89.26%	88.79%	89.09%	89.17%

Source: MHCC LTC Survey

The Caroline County retention rate in recent years has been around 65.62% (i.e., about 34.38% of County residents obtaining CCF admission in recent years have gone to a CCF outside of the jurisdiction). Conversely, Dorchester County has experienced a retention rate around 79.08% (about 20.92% use a nursing home outside this jurisdiction). With 24 jurisdictions in Maryland, Caroline would have the 7th lowest and Dorchester the 17th lowest retention rates for residents remaining in the county of residence to obtain nursing home care.

Table 4: Retention Rates for Caroline and Dorchester County Comprehensive Care Facilities, Calendar Years 2007-2009

County	2007	2008	2009
Caroline	65.19%	65.57%	66.1%
Dorchester	79.65%	80.78%	76.82%

Source: CMS Minimum Data Set (MDS) 2.0

Quality Indicators for Comprehensive Care Facilities in Caroline and Dorchester Counties

Staff reviewed the “5 Star” ratings for the nursing facilities located in Caroline and Dorchester Counties by the quality rating program of the Center for Medicare and Medicaid Services (“CMS”) that was initiated in December 2008. With regard to the two nursing homes in Caroline County, *Caroline Nursing Home* received a “2 star” rating, while the *Envoy of Denton* is rated a “1 Star” facility. Further breakdown of these ratings indicate the following:

Table 5: CMS 5-Star Nursing Home Rating for Caroline County

Facility	Overall Rating	Health Inspections	Nursing Home Staffing	Quality Measures
Caroline Nursing Home	2 stars	2 stars	2 stars	4 stars
Envoy of Denton	1 star	1 star	3 stars	2 stars

For the facilities in Dorchester, the *Signature Healthcare at Mallard Bay* has a “5 Star” rating, while the Genesis facility *Chesapeake Woods Center* has “4 out of 5 stars.” Please see Appendix D on further information regarding the CMS rating system, and the strengths and limitations of using these ratings (i.e., health inspection, nursing home staffing, and quality measures).

Table 6: CMS 5-Star Nursing Home Rating for Dorchester County

Facility	Overall Rating	Health Inspections	Nursing Home Staffing	Quality Measures
Chesapeake Woods Center	4 stars	3 stars	4 stars	3 stars
Signature Healthcare at Mallard Bay	5 stars	4 stars	4 stars	5 stars

For further details on the results of the ratings for each of these four nursing homes, please use the following link:

<http://www.medicare.gov/NHCompare/Include/DataSection/Questions/HomeSelect.asp>

STAFF ANALYSIS

A. STATE HEALTH PLAN

COMAR 10.24.01.08G(3)(a) State Health Plan. An application for a Certificate of Need shall be evaluated according to all relevant State Health Plan standards, policies, and criteria.

The applicable section of the State Health Plan (“SHP”) for this review is COMAR 10.24.08, the State Health Plan for Facilities and Services: Nursing Home, Home Health Agency, and Hospice Services. The specific standards to be addressed include COMAR 10.24.08.05A

and .05B, the Nursing Home General Standards and the Standards for New Construction or Expansion of Beds or Services for nursing home projects.

PART ONE: STATE HEALTH PLAN STANDARDS

COMAR 10.24.08.05: Nursing Home Standards

A. General Standards. The Commission will use the following standards for review of all nursing home projects.

(1) Bed Need. The bed need in effect when the Commission receives the letter of intent for the application will be the need projection applicable to the review.

MHCC does not identify a need for additional CCF beds in Dorchester County for the forecast year 2011; conversely, Caroline County was found to have a projected need for 23 nursing home beds when the SHP was updated in 2007. Genesis is applying for the 23 bed need in Caroline County using COMAR 10.24.08.07A(1)(c), which states that "...in jurisdictions for which this methodology does not project net need of 90 beds or more by the target year, the Commission may combine the projected bed need for two or more jurisdictions in the planning region." Caroline and Dorchester are contiguous counties in the Eastern Shore region. The proposed project would not change the number of licensed CCF beds operating in Caroline, but would increase the number of CCF beds in Dorchester County from 258 to 281 beds. The applicant states that the proposed addition of 23 CCF beds will serve the aging population residing in both Caroline and Dorchester Counties.

As noted, the need projection for 23 beds for Caroline County was adopted in 2007 and, in that year, a review cycle for submission of applications to meet this need was established. No letters of intent were filed in that cycle. In 2011, when the review schedule was updated, a new review cycle was scheduled for this bed need. The applicant was the only letter of intent filer in that cycle.

(2) Medical Assistance Participation.

(a) Except for short-stay hospital-based skilled nursing facilities required to meet .06B of this Chapter, the Commission may approve a Certificate of Need for a nursing home only for an applicant that participates, or proposes to participate, in the Medical Assistance Program, and only if the applicant documents a written Memorandum of Understanding with Medicaid to maintain the proportion of Medicaid patient days required by .05A2(b) of this Chapter.

(b) Each applicant shall agree to serve a proportion of Medicaid patient days that is at least equal to the proportion of Medicaid patient days in all other nursing homes in the jurisdiction or region, whichever is lower, calculated as the weighted mean minus 15.5%, based on the most recent Long Term Care survey data and Medicaid cost reports available to the

Commission, as shown in the *supplement to COMAR 10.24.08: Statistical Data Tables*, or in subsequent updates published in the *Maryland Register*.

- (c) An applicant shall agree to continue to admit Medicaid residents to maintain its required level of participation when attained, and have a written policy to this effect.
- (d) Prior to licensure, an applicant shall execute a written Memorandum of Understanding with the Medicaid Assistance Program of the Department of Health and Mental Hygiene to:
 - (i) Achieve or maintain the level of participation required by .05A2(b) of this Chapter; and
 - (ii) Admit residents whose primary source of payment on admission is Medicaid.
 - (iii) An applicant may show evidence why this rule should not apply.

The applicant facility currently participates in the Medical Assistance Program and with the proposed addition to the existing facility will continue this participation. Chesapeake Woods Center will execute a Memorandum of Understanding, as required, prior to pre-licensing certification. Based on the findings from the 2009 Long Term Care Survey, the MHCC reports that the required Maryland Medical Assistance Participation Rate for nursing homes in the Eastern Shore is 49.25%.

Staff recommends that the following condition be part of any approval of this proposed project:

At the time of first use review, the Chesapeake Woods Center operator shall provide the Commission with a completed Memorandum of Understanding with the Maryland Medical Assistance Program agreeing to maintain the proportion of Medicaid patient days required by Nursing Home Standard COMAR 10.24.08.05A(2).

- (3) **Community-Based Services.** An applicant shall demonstrate commitment to providing community-based services and to minimizing the length of stay as appropriate for each resident by:
 - (a) Providing information to every prospective resident about the existence of alternative community-based services, including, but not limited to, Medicaid home and community-based services waiver programs and other initiatives to promote care in the most appropriate settings.
 - (b) Initiating discharge planning on admission; and

- (c) Permitting access to the facility for all “Olmstead” efforts approved by the Department of Health and Mental Hygiene and the Department of Disabilities to provide education and outreach for residents and their families regarding home and community-based alternatives.**

Chesapeake Woods Center states that it provides information to all prospective residents about the existence of alternative community-based services, and provided copies of the materials distributed to prospective residents.

Chesapeake Woods Center states that, in its current operation, discharge planning is initiated to residents upon their admission. A copy of excerpts regarding the discharge planning policy from the Genesis Policy and Procedure Manual were provided.

Finally, the applicant states that Chesapeake Woods Center permits access for all Olmstead efforts approved by the Department of Health and Mental Hygiene to provide education and outreach to residents and their families.

Based on these statements, the applicant complies with this standard.

- (4) Nonelderly Residents. An applicant shall address the needs of its non-elderly (<65 year old) residents by:**

- (a) Training in the psychosocial problems facing nonelderly disabled residents; and**
- (b) Initiating discharge planning immediately following admission with the goal of limiting each nonelderly resident’s stay to 90 days or less, whenever feasible, and voluntary transfer to a more appropriate setting.**

The applicant states that Genesis has extensive experience caring for younger individuals needing long-term care and has standards of care for younger, high-acuity patients covering care delivery, amenities, physical plant and equipment, dining, staffing, education, and marketing.

Chesapeake Woods Center lists features of the proposed project that address the needs of younger patients: adapted bathrooms; hotel-like furniture; privacy curtains in the gym; and appropriate rehab space and equipment to see multiple patients simultaneously. The facility also points to its existing system of “interdisciplinary team communication for daily updates” as addressing the needs of the non-elderly. The applicant provides excerpts describing a variety of activities and programming used at the existing facility of particular interest or relevance for younger residents or tailored to individual needs.

The facility states that discharge planning is initiated immediately following admission with the goal of limiting each nonelderly resident’s stay to 90 days or less, whenever feasible, and voluntary transfer to a more appropriate setting. It facilitates contacts with vocational rehabilitation resources when appropriate.

Based on these statements, the applicant complies with this standard.

(5) Appropriate Living Environment. An applicant shall provide to each resident an appropriate living environment, including, but not limited to:

(a) In a new construction project:

(i) Develop rooms with no more than two beds for each patient room;

**(ii) Provide individual temperature controls for each patient room;
and**

(iii) Assure that no more than two residents share a toilet.

(b) In a renovation project:

(i) Reduce the number of patient rooms with more than two residents per room;

(ii) Provide individual temperature controls in renovated rooms; and

(iii) Reduce the number of patient rooms where more than two residents share a toilet.

(c) An applicant may show evidence as to why this standard should not be applied to the applicant.

Chesapeake Woods states that the proposed 32 bed addition is designed for private room occupancy, with each room having individual temperature controls. This proposed facility design complies with the standard.

(6) Public Water. Unless otherwise approved by the Commission and the Office of Health Care Quality in accordance with COMAR 10.07.02.26, an applicant for a nursing home shall demonstrate that its facility is, or will be, served by a public water system.

The proposed site is served by a public water system and will connect to a sewer system, with adequate water and waste water capacity to support the proposed facility. This standard is met.

(7) Facility and Unit Design. An applicant must identify the special care needs of the resident population it serves or intends to serve and demonstrate that its proposed facility and unit design features will best meet the needs of that population. This includes, but is not limited to:

(a) Identification of the types of residents it proposes to serve and their diagnostic groups;

- (b) Citation from the long term care literature, if available, on what types of design features have been shown to best serve those types of residents;**
- (c) An applicant may show evidence as to how its proposed model, which is not otherwise documented in the literature, will best serve the needs of the proposed resident population.**

The applicant describes the designed “environment” as “non-institutional, homelike and therapeutic,” highlighting the “smaller, neighborhood oriented units,” each with separate living and dining spaces and access to outdoor space. Genesis discusses implementation of “culture change” among its facilities and identifies elements of culture change that will be implemented with the construction of an addition to the Chesapeake Woods Center . Enhancing patient individuality, autonomy and choices, in social activities and the scheduling of activities of daily living and reduced regimentation and staff direction are the themes that run through this discussion and outline by the applicant.

Genesis discusses the “culture change” model employed across its facilities for “resident-focused” planning of care, obtaining resident feedback and a “whatever it takes” emphasis on customer service. The design for the addition will use a “neighborhood” concept with private rooms and baths for each patient, smaller and more intimate dining rooms, wood-like or carpet flooring, softer lighting levels, a café and space for families to use. The applicant describes the Genesis subsidiaries that will be employed for medical direction, therapeutic services, and respiratory therapy.

The applicant has met the requirements of this standard.

- (8) Disclosure. An applicant shall disclose whether any of its principals have ever pled guilty to, or been convicted of, a criminal offense in, any way connected with the ownership development, or management of a health care facility.**

Chesapeake Woods Center states that none of its principals has been convicted of a felony or of fraud. This disclosure complies with the standard.

- (9) Collaborative Relationships. An applicant shall demonstrate that it has established collaborative relationships with other types of long term care providers to assure that each resident has access to the entire long term care continuum.**

The applicant lists the hospitals, discharge referral sources, contract service providers, religious groups, and volunteer groups with which Chesapeake Woods Center has developed collaborative relationships. The replacement facility expects to either maintain or expand upon all of these relationships and that residents will have access to different aspects of the long term care continuum serving Dorchester County.

The applicant has demonstrated compliance with this standard.

B. New Construction or Expansion of Beds or Services. The Commission will review proposals involving new construction or expansion of comprehensive care facility beds, including replacement of an existing facility or existing beds, if new outside walls are proposed, using the following standards in addition to .05A(1)-(9):

(1) Bed Need.

- (a) An applicant for a facility involving new construction or expansion of beds or services, using beds currently in the Commission's inventory, must address in detail the need for the beds to be developed in the proposed project by submitting data including, but not limited to: demographic changes in the target population; utilization trends for the past five years; and demonstrated unmet needs of the target population.**
- (b) For a relocation of existing comprehensive care facility beds, an applicant must demonstrate need for the beds at the new site, including, but not limited to: demonstrated unmet needs; utilization trends for the past five years; and how access to and/or quality of needed services will be improved.**

The MHCC projects no need for additional CCF beds in Dorchester and a need for 23 CCF beds in Caroline County.² Genesis proposes the construction of a 32 bed addition that will include the 23 bed need projected for Caroline County and add these beds to the Chesapeake Woods Center, an existing 98 bed CCF in Dorchester County. The applicant seeks the addition of these 23 beds using COMAR 10.24.08.07A(1)(c), which states that ...”in jurisdictions for which this methodology does not project net need of 90 beds or more by the target year, the Commission may combine the projected bed need for two or more jurisdictions.” The project represents a legitimate use of this provision of the SHP.

Based on the numbers from the U.S. Census Bureau, the Maryland Department of Planning projects that the population in Caroline County will increase by 54.34% and in Dorchester County by 30.42% between the years 2000 through 2040 (please see Table 1). The population age 65 to 69, 70 to 74, and 75 years and over are each projected to have a steady growth in each age group, reaching a total of 6,295 people in Caroline and 9,290 people in Dorchester Counties by 2040.

There are two nursing homes that operate in Caroline County and two in Dorchester County. The two facilities in Denton are Caroline Nursing & Rehab Center, which currently operates with 95 CCF beds and Envoy of Denton at 100 CCF beds. Table 3 indicates that these two nursing homes have both had occupancy rates that exceed 90% from 2007 to 2010, with a combined occupancy rate of 93.10% in 2010. While Chesapeake Woods has 98 CCF beds currently, the Signature Healthcare at Mallard Bay operates with 160 beds. Chesapeake Woods

² Please see Supplement 2, Projected Need for Nursing Home Beds (2011) and Home Health Agencies (2010), available at: <http://mhcc.dhmv.maryland.gov/lrc/Documents/sp.mhcc.maryland.gov/statehealthplan/comar102408/sup2.pdf>

had occupancies which exceeded 90% from 2007 through 2010. Conversely, Signature Healthcare is the only one of these four facilities to have a utilization rate that ranges from a low of 79.46% in 2008 to a high of 85.88% in 2009.

The two nursing homes in Caroline County operate currently with a combined total of 195 CCF beds. Both facilities are located in the city of Denton. Conversely, the two nursing in Dorchester County have a total of 258 CCF beds; both facilities operate in Cambridge. The applicant reports that the two southern most zip codes in Caroline County are 21632 in Federalsburg and 21655 in Preston. Genesis projects the population in these two zip codes that neighbor Dorchester County will experience the following growth in population:

Table 7: Population by Two Zip Codes Neighboring Dorchester County

Zip Code		2000	2011	% Change	2016	% Change
21632	Total Population	6,314	6,488	2.8%	6,517	0.4%
21632	Age 65 & over	894	904	1.1%	1,010	11.7%
21655	Total Population	4,779	5,361	12.2%	5,557	3.7%
21655	Age 65 & over	640	762	19.1%	894	17.3%

Source: Population numbers by zip code from Nielson Claritas

Using Mapquest to determine drive times, the applicant states that residents in these two Caroline zip codes have an approximate drive time of 27 minutes to Denton, whereas the drive time to Cambridge is about 37 minutes. With a difference of only ten minutes, Genesis states that the families of residents in zip codes 21632 and 21655 would not have a hardship and could make the drive to Chesapeake Woods.

Genesis operates a number of nursing homes on the Eastern Shore. The following lists the three facilities located in Maryland and one facility operating in Delaware.

**Table 8: Genesis Healthcare Facilities
Operating on Eastern Shore**

Facility Name	Location	County
Corsica Hills	Centreville, MD	Queen Anne's
The Pines	Easton, MD	Talbot
Salisbury Rehab & Nursing Center	Salisbury, MD	Wicomico
Seaford Center	Seaford, DE	Sussex

In calendar year 2011, these four facilities had admissions from the two Caroline County zip codes 21632 and 21655.

**Table 9: Number of Admissions from
Caroline County Zip Codes 21632 & 21655**

Facility Name	21632	21655
Corsica Hills	5	2
The Pines	40	24
Salisbury Rehab & Nursing Center	5	1
Seaford Center	10	0
Total	60	27

The applicant states that around 60 patients admitted to these four Genesis facilities were from the zip code 21632, and another 27 patients had a patient origin from zip code 21655. Potentially, a number of these patients who reside in these two Caroline County zip codes could seek admission to the 32 bed addition proposed at Chesapeake Wood Center.

In 2011, Chesapeake Woods had 256 admissions to the facility. Approximately 241 of these admissions came from referrals by a hospital or by Signature Healthcare at Mallard Bay. A further breakdown indicates that around 160 admissions (around 63%) came from Dorchester General Hospital and 42 (about 16%) from Memorial Hospital at Easton; another 12 patients came from Peninsula Regional Medical Center and 12 from the University of Maryland Medical Center.

With regard to the point of origin for these 256 admissions, Chesapeake Woods states that 239 were from zip codes that are located either in Dorchester or Talbot Counties. Approximately 234 of the admissions³ were from zip codes located in Dorchester County (about 91.41% of all admissions), with the remaining 5 coming from Talbot County⁴ (about 1.95%).

Chesapeake Woods had only one admission from Caroline County (zip code 21629). The applicant believes that since there is no hospital in Caroline County, the majority of residents use Memorial Hospital at Easton for acute care services. Only a small number of Caroline County residents go to Dorchester General Hospital for their acute care needs, hence the small number of admissions from Caroline County to Chesapeake Woods. The applicant states the facility will work more closely with the discharge planners at Memorial Hospital at Easton to inform patients who reside in Caroline and in particular the two zip codes adjacent to Dorchester County (i.e., 21632 and 21655) regarding the addition of CCF beds at Chesapeake Woods Center.

Summary

The U.S. Census Bureau projects that the population in both Caroline and Dorchester will have an increase to the year 2040. The number of people aged 65 and over will increase to around 6,295 in Caroline and 9,290 in Dorchester County by 2040. Genesis has documented that nursing home utilization in Caroline and Dorchester Counties has remained fairly stable and consistent. The MHCC reports in the long term care survey that the occupancy rate for Caroline

³ Includes admissions from the following zip codes: 21613, 21631, 21643, 21622, 21634, 21648, 21659, 21664, 21677, 21869, 21669, and 21672.

⁴ Includes admissions from the following zip codes: 21601 and 21673.

Nursing & Rehab Center and for the Envoy of Denton (a total of 195 CCF beds currently) for both facilities was over 91% from 2007 to 2010. While Chesapeake Woods (with 98 CCF beds) had utilization over 91% for the same four year period, the facility Signature Healthcare at Mallard Bay (160 beds) had utilization that was either near or around the low 80%. Occupancy in Caroline County has been high for both Caroline County nursing homes, while Signature Healthcare has had occupancy rates that range around the low 80 percent area. There are no letters of opposition or interested parties to the Chesapeake Woods Center proposed request for 23 additional CCF beds.

Genesis operates four nursing homes along the Eastern Shore. Three facilities are located in Maryland, and the fourth is located in Delaware. These four facilities admitted Caroline County residents who reside in the zip codes 21632 and 21655, which are the two zip codes that are contiguous to Dorchester County. The applicant expects that future residents from these two zip codes, which include people who are admitted to either Corsica Hills, The Pines, Salisbury Rehab & Nursing Center, or Seaford Center, may choose to utilize the services offered at the expanded Chesapeake Woods Center. These patients, as well as working to familiarize the discharge planners at Memorial Hospital at Easton regarding the availability of these new nursing home beds, support the need identified for the addition of the 23 beds identified from Caroline County and the construction of a 32-bed addition to the Chesapeake Woods Center in Dorchester County.

The applicant meets this standard.

(2) Facility Occupancy.

- (a) The Commission may approve a nursing home for expansion only if all of its beds are licensed and available for use, and it has been operating at 90 percent, or higher, average occupancy for the most recent consecutive 24 months.**
- (b) An applicant may show evidence why this rule should not apply.**

The Maryland LTC Survey indicates that the Chesapeake Woods 98 CCF beds exceeded 90% occupancy (please see Table 3) in 2009 and 2010 (i.e., 93.58% and 91.69%). Therefore, the applicant meets this standard.

(3) Jurisdictional Occupancy.

- (a) The Commission may approve a CON application for a new nursing home only if the jurisdictional occupancy for all nursing homes in that jurisdiction equals or exceeds a 90 percent occupancy level for at least the latest fiscal year, or the latest Maryland Long Term Care Survey, if no Medicaid Cost Report is filed. Each December, the Commission will issue a report on nursing home occupancy.**
- (b) An applicant may show evidence why this rule should not apply.**

Since Genesis only seeks the construction of a 32 bed addition to an existing facility, this standard is not applicable.

(4) Medicaid Assistance Program Participation.

- (a) An applicant for a new nursing home must agree in writing to serve a proportion of Medicaid residents consistent with 05A2(b) of this Chapter.**
- (b) An applicant for new comprehensive care facility beds has three years during which to achieve the applicable proportions of Medicaid participation from the time the facility is licensed, and must show a good faith effort and reasonable progress toward achieving this goal in years one and two of its operation.**
- (c) An application for nursing home expansion must demonstrate either that it has a current Memorandum of Understanding (MOU) with the Medical Assistance Program or that it will sign an MOU as a condition of the Certificate of Need.**
- (d) An applicant for nursing home expansion or replacement of an existing facility must modify its MOU upon expansion or replacement of its facility to encompass all of the nursing home beds in the expanded facility, and to include a Medicaid percentage that reflects the most recent Medicaid percentage rate.**
- (e) An applicant may show evidence as to why this standard should not be applied to the applicant.**

The applicant states that Chesapeake Woods currently participates in the Medicaid Assistance Program and execute an MOU prior to pre-licensing. As previously noted in the discussion of COMAR 10.24.08.05A(2), staff recommends conditioning approval of this application on documentation of the applicant's compliance with this requirement prior to first use approval.

- (5) Quality. An applicant for expansion of an existing facility shall demonstrate that it has no outstanding Level G or higher deficiencies, and that it will maintain a demonstrated program of quality assurance.**

The CMS Nursing Home comparison website is located at:
<http://www.medicare.gov/NHCompare/Include/DataSection/Questions/ProximitySearch.asp>. Based on the findings from the last standard health inspection that was conducted on January 31, 2012 at Chesapeake Woods Center, the facility was cited for five health deficiencies. The facility does not have an outstanding Level G or higher deficiency, and states that it maintains a demonstrated program of quality assurance.

The applicant complies with this standard.

- (6) Location. An applicant for the relocation of a facility shall quantitatively demonstrate how the new site will allow the applicant to better serve residents than its present location.**

Chesapeake Wood Center seeks to build a 32 bed addition consisting of 23 nursing home beds identified as the bed need for Caroline County and 9 beds from the conversion of existing semi-private to private rooms. Therefore, this standard is not applicable under this review.

PART TWO: REMAINING CERTIFICATE OF NEED REVIEW CRITERIA

B. NEED

COMAR 10.24.01.08G(3)(b) Need. The Commission shall consider the applicable need analysis in the State Health Plan. If no State Health Plan need analysis is applicable, the Commission shall consider whether the applicant has demonstrated unmet needs of the population to be served, and established that the proposed project meets those needs.

As previously noted, the population in both Caroline and Dorchester will experience a growth in the total number as well as in the people between the ages of 65 to 69, 70 to 74, and 75 years and over. The four nursing homes operating in Caroline and Dorchester Counties have experienced relatively stable utilization rates between 2007 through 2010; Signature Healthcare at Mallard Bay is the only facility of the four to have an occupancy rate lower than 90%, and the utilization at this facility has been relatively stable during this four year period. The residents who reside in the two zip codes in Caroline that are adjacent to Dorchester, which include patients who currently may go to other Genesis facilities on the Eastern Shore, will provide an opportunity for patients to receive care at the Chesapeake Woods facility. The applicant will also increase efforts to work with the discharge planners from Memorial Hospital at Easton to inform patients from Caroline County of the availability of the additional 23 CCF beds at the Chesapeake Woods Center.

Patient migration patterns do not indicate that there is significant cross migration between Caroline and Dorchester County for nursing home services. However, ample opportunity was provided for submission of expansion proposals from Caroline County and the applicant facility has experienced relatively high occupancy rates in recent years. The applicant has supported its use of the SHP allowing for combination of jurisdictional bed need to support its expansion proposal.

C. AVAILABILITY OF MORE COST-EFFECTIVE ALTERNATIVES

COMAR 10.24.01.08G(3)(c) Availability of More Cost-Effective Alternatives. The Commission shall compare the cost effectiveness of the proposed project with the cost effectiveness of providing the service through alternative existing facilities, or through an alternative facility that has submitted a competitive application as part of a comparative review.

Genesis states that utilization at the 98 CCF bed Chesapeake Woods Center has been over 90% from 2007 through 2010, ranging from 92.75% in 2007 to 91.69% in 2010 (please see Table 3). This high occupancy has caused the facility to turn away referrals due to not having an appropriate bed available. Therefore, Genesis did not believe maintaining the status quo was a good alternative for this facility.

The only alternative considered by the applicant to constructing a 32 bed addition was building a 23 bed addition to the existing nursing home. Besides building a smaller addition that would be inefficient from an operational and staffing perspective, Genesis states construction of a 32 bed addition would take advantage of economies of scale.

The applicant compared its building costs to the Marshall Valuation Services (MVS) cost guidelines to evaluate the construction cost estimate for the proposed project with an MVS target cost for a convalescent hospital construction project Class C good quality construction. The MVS cost index is based on the relevant construction characteristics of the proposed project. The MVS includes the base cost per square foot for new construction by type and quality of construction for a wide variety of building uses including nursing homes referred to as convalescent hospitals in the MVS guide. The MVS guide includes a variety of adjustment factors, including additions for sprinklers and adjustments of the base costs to the costs for the latest month, the locality of constructions, as well as factors for the number of stories, height per story, and the shape of the building (such as relationship of floor size to perimeter).

The Applicant developed an MVS benchmark costs per square foot for a comparable addition of Class C good quality construction. This benchmark cost started with a base cost of \$166.62 per square as of November 2011 adjusted for the addition to the sprinkler systems, the perimeter of the addition, and the average floor height. This cost was then adjusted to the time the application was prepared (current cost) and for the area in which the construction will take place (Maryland Eastern Shore). The resultant adjusted costs of \$162.94 per square foot (the MVS benchmark), which was compared to Chesapeake Woods budgeted cost for site preparation, building construction, architectural fees, and permits adjusted by removing demolition, storm drains, rough grading, signs, and construction of a canopy costs and associated architectural fees and interest during construction that are not included in the MVS costs. By making these adjustments the Applicant arrived at a project cost of \$156.07 per square foot, which is \$6.87/SF (approximately 4.27%) below the MVS benchmark cost of \$162.94 per square foot.

Commission staff has reviewed the Applicant's work and corrected the perimeter and height per story adjustment factors. Staff also updated the current cost multiplier to July 2012. The result is an MVS benchmark cost per square foot of \$160.05. Staff agrees with all other adjustments to the MVS benchmark and the adjustments to Chesapeake Woods' budget. Therefore, the adjusted new construction cost per square foot (\$156.07/SF) is below the MVS benchmark cost as calculated by Commission staff (\$160.05/SF) by 2.5%. A comparison of Staff's calculation of the MVS benchmark to that prepared by Chesapeake Woods is detailed in Table 10 below.

**Table 10: Comparison of Applicant and Commission Staff Calculation of
Marshall Valuation Service Benchmark for
Chesapeake Woods Center**

	Applicant Calculation	MHCC Staff Calculation
Number of Stories	1	1
Average Floor Areas (SF)	18,500	18,500
Average Perimeter (F)	919	919
Average Floor to Floor Height (F)	9	9
Base Cost per SF (Nov. 2011)	\$166.62	\$166.62
Sprinkler Add-on	3.55	3.55
Adjusted Base Cost	\$170.17	\$170.17
Multipliers		
Perimeter Multiplier	.984	0.975
Story Height Multiplier	0.953	.928
Multi-story Multiplier*	1.0	1.0
Combined Multiplier	0.9378	0.9048
Refined Cost per SF	\$159.79	\$153.97
Update/Location Multipliers		
Update Multiplier	1.03	1.05
Location Multiplier (Eastern Shore)	0.99	0.99
Final Benchmark MVS Cost per SF	\$162.94	\$160.05

Data Sources: CON Application Chart 1 and pps. 54-55 and Marshall Valuation Service®, published by Marshall & Swift/Boeckh, LLC

*Multi-story multiplier is .5% (.005) per floor for each floor more than three floors above the ground.

In summary, the construction of a 32 bed addition to Chesapeake Wood Center is the most practical alternative for Genesis to expand the facility and provide more private rooms. The proposed addition will provide economies of scale as well as make the addition more efficient operationally. For these reasons, staff recommends that the proposed construction of the addition with 32 private rooms is the most cost-effective alternative for Genesis.

D. VIABILITY OF THE PROPOSAL

COMAR 10.24.01.08G(3)(d) Viability of the Proposal. The Commission shall consider the availability of financial and nonfinancial resources, including community support, necessary to implement the project within the time frames set forth in the Commission's performance requirements, as well as the availability of resources necessary to sustain the project.

Project Cost

Genesis estimates the cost of the project is \$3,492,000, with \$3,475,000 of the funding coming from the owner of the real assets, Health Care REIT and the balance of \$17,000 supplied

as cash by Genesis. The budget estimate and sources for funds for the proposed project are outlined in the following table.

**Table 11: Project Budget Estimate - Uses and Sources of Funds
Proposed Addition to Chesapeake Woods Center**

A. Uses of Funds	Cost Estimate
Building	\$2,610,000
Site Preparation	180,000
Architect/Engineering Fees	150,000
Permits	35,000
Subtotal	\$2,975,000
Major Movable Equipment	\$160,000
Minor Movable Equipment	96,000
Contingencies	25,000
Subtotal	\$281,000
Total-Current Capital Costs	\$3,256,000
Inflation	\$56,000
Capitalized Interest ⁵	105,000
Subtotal	\$161,000
Total Capital Costs	\$3,417,000
Loan Placement Fee	\$35,000
Legal Fees (CON related)	20,000
CON Application Assistance	20,000
Subtotal-Financing and Other Cash	\$75,000
Working Capital/ Startup Costs	0
Total Uses of Funds	\$3,492,000
B Sources of Funds	
Cash	\$17,000
Mortgage	
Working Capital Loans	
Health Care REIT	3,475,000
Total Sources of Funds	\$3,492,000

Source: Exhibit 2.

The applicant provided financial audited statements for the parent company FC-GEN Acquisition Holding LLC and subsidiaries as of December 31, 2010 and 2009. The statements include a disclosure that the Parent company entered into a definite purchase agreement with REIT pursuant to which the parent company will sell 100% of the equity interests of the Company to REIT for a purchase price of \$2.4 billion.⁶ The financial statements document availability of the Genesis funding identified as source of project funding in the application.

⁵ While Genesis will not finance this project through debt, the applicant will incur costs for leasing the existing real estate at Chesapeake Woods Center from Health Care REIT.

⁶ Exhibit 6, FC-GEN Acquisition Holding, LLC and Subsidiaries Consolidated Financial Statements, December 31, 2010, p. 33.

Construction Cost

The following table summarizes an evaluation of the applicant's estimated construction cost, using the MVS guidelines. The preceding section of this report evaluates this analysis and finds the construction cost estimate for the project to be consistent with the guidance issued by MVS.

**Table 12: MVS Construction Cost Analysis, Chesapeake Woods Center
Proposed Addition Project Construction Cost Estimate**

	New Addition
Building	\$2,610,000
Normal Site Preparation	180,000
Architect/Engineering Fees	150,000
Permits	35,000
Capitalized Construction Interest	92,118
Total Project Costs	\$3,067,118
Cost Adjustments	
Demolition	\$31,613
Storm Drains	105,376
Rough Grading	21,075
Signs	5,434
Landscaping	16,302
Total Adjustments	\$179,800
Net Project Costs	\$2,877,318
Square Feet of Construction	18,500
Adjusted Project Cost Per SF	\$156.07
MVS Cost/SF	\$158.53
Over(Under)	(\$2.46)

Source: Exhibit 2.

Revenues and Expenses

The facility's per diem projected revenues and expenses for the first two years of operation of the replacement facility, FY 2013 to 2014, are as follows:

**Table 13: Projected Performance
Chesapeake Woods Center New Addition, First Two Years Operation FY 2013-2014**

	2013	2014
Beds	98	121
Admissions	253	307
Patient Days	33,764	40,992
Average Annual Occupancy Rate	94.39%	92.82%
Gross Revenue/Patient Day	\$279.85	\$298.17
Net Revenue/Patient Day	\$277.89	\$296.08
Expense/Patient Day	\$262.82	\$279.77
Income/Patient Day	\$15.07	\$16.31
Assumed Payor Mix (Patient Days)		
Medicare	34%	44%
Medicaid	47%	39%
Commercial Insurance	2%	4%
Self Pay	16	12%

Source: Exhibit 2

For FY 2014, Chesapeake Woods projects the mix for Medicare patient days will increase to 44% and for commercial insurance to 4%; conversely, the mix for Medicaid will decrease to 39% and for self pay to 12%. Genesis states that the majority of the admissions to Chesapeake Woods come directly from hospitals, and particularly Dorchester General Hospital. With the completion of the new addition, the facility expects the additional admissions will come from efforts to work more closely with Memorial Hospital at Easton. The applicant expects the need for skilled nursing beds to increase as patients are discharged from acute care hospitals, thus increasing the Medicare and commercial insurance patient mix. For clarification, the applicant also states that while the patient mix for Medicaid and self pay patients decreases, Genesis projects that the actual number of patient days for these payer groups will remain stable.

Staffing

Chesapeake Woods Center projects the following staffing pattern and cost for its payroll employees (no contract staff numbers or costs are shown) with the addition of 23 CCF beds.

**Table 14: Projected FY 2014 Staffing – Payroll Staff Employees Only
Chesapeake Wood Center New Addition Project**

<i>Position</i>	Current FTE	Change in FTEs	Total FTEs	Average Salary Rate	Total Cost
Administration					
Administrator	1.0	0	1.0	\$133,267	\$133,267
Administrator Staffing	6.1	1.0	7.1	34,428	245,660
<i>subtotal</i>	7.1	1.0	8.1	46,589	\$378,928
Direct Care					
Registered Nurses	8.6	4.2	12.8	\$92,326	\$1,181,775
Licensed Practical Nurses	8.4	4.2	12.6	64,810	816,606
Aides	44.4	9.9	54.3	28,006	1,520,514
<i>subtotal</i>	61.4	18.3	79.7	44,155	\$3,518,896
Support					
Nursing Adm Staff	4.8	0.5	5.3	\$52,346	\$276,125
Maintenance Staff	2.7	0	2.7	29,692	79,178
Dietary Staff	11.2	1.4	12.6	31,702	399,445
House Keeping	7.0	1.0	8.0	27,508	220,067
Laundry Staff	3.1	0	3.1	24,046	74,703
Activity /Rec Staff	4.0	0	4.0	31,616	126,466
Social Services Staff	3.6	1.4	5.0	48,616	243,078
<i>subtotal</i>	36.3	4.3	40.6	34,911	\$1,419,062
Total	104.9	23.6	128.5	41,385	\$5,316,886
				Benefits	\$853,885
				TOTAL	\$6,170,771

Chesapeake Woods Center projects the following nurse staffing pattern for its nursing units.

**Table 11: Nurse Staffing by Shift
Chesapeake Woods Center with New Addition**

Chesapeake Unit	Day	Evening	Night
RN	2.0	1.0	1.0
LPN	1.0	1.0	1.0
Aides	5.0	4.0	3.0
Medicine Aides	1.0	1.0	0

Choptank Unit	Day	Evening	Night
RN	1.0*	0	0
LPN	1.0	1.0	1.0
Aides	5.0	5.0	2.0
Medicine Aides	1.0	1.0	0

Expansion Unit	Day	Evening	Night
RN	2.0	1.0	1.0
LPN	1.0	1.0	1.0
Aides	4.0	3.0	2.0
Medicine Aides	0	0	0

Total	Day	Evening	Night
RN	5.0**	2.0	2.0
LPN	3.0	3.0	3.0
Aides	14.0	12.0	7.0
Medicine Aides	2.0	2.0	0

Note: Schedules are based on 8 hour shifts.

Weekend/holiday staffing is the same as for week days.

*No registered nurse on day shift for weekend/holiday.

**Only 4.0 FTE registered nurse on day shift for weekend/holiday.

The applicant has projected a direct care staffing schedule that will deliver an overall average ratio of 3.3 nursing hours per bed per day of care for all units. These staffing ratios are consistent with those required in COMAR 10.07.02.12, a minimum of two hours per bed per day.

Summary

The applicant has reasonably demonstrated it can obtain the resources necessary for project development and its assumptions with respect to utilization, revenues, expenses, staffing and payor mix are within acceptable ranges. Staff recommends a finding that the project is financially viable.

E. COMPLIANCE WITH CONDITIONS OF PREVIOUS CERTIFICATES OF NEED

COMAR 10.24.01.08G(3)(e) Compliance with Conditions of Previous Certificates of Need. An applicant shall demonstrate compliance with all terms and conditions of each previous Certificate of Need granted to the applicant, and with all commitments made that earned

preferences in obtaining each previous Certificate of Need, or provide the Commission with a written notice and explanation as to why the conditions or commitments were not met.

Genesis does not have a recent (last five years) record of CON authorizations that have been completed. A longer perspective on MHCC records do not indicate that Genesis facilities have failed to comply with any terms and conditions of CONs granted to them.

F. IMPACT ON EXISTING PROVIDERS AND THE HEALTH CARE DELIVERY SYSTEM

COMAR 10.24.01.08G(3)(f) Impact on Existing Providers and the Health Care Delivery System. An applicant shall provide information and analysis with respect to the impact of the proposed project on existing health care providers in the health planning region, including the impact on geographic and demographic access to services, on occupancy, on costs and charges of other providers, and on costs to the health care delivery system.

The applicant claims that this project will have no impact on other providers either in Caroline or Dorchester Counties. The evidence shows that the total population residing in these two jurisdictions as well as the segment of the population age 65 years and over will experience an increase to the year 2040. The existing providers in these counties have experienced stable occupancy levels, with the utilization at Signature Healthcare at Mallard Bay showing a steady utilization rate from 2007 through 2010.

Genesis proposes the construction of a new 32 private bed addition, increasing the total number of nursing home beds by adding the 23 bed need identified for Caroline County to this facility, and the conversion of 9 existing semi-private to 9 private rooms in the new addition and making the existing rooms private will increase the size of Chesapeake Woods Center from 98 to 121 CCF beds. Currently, only 6 of the 98 beds at Chesapeake Woods are private rooms. With the completion of the project, the facility will have 47 private and 34 semi-private rooms. Increasing the number of private rooms will help make this facility stronger financially, and enable the staff to operate the facility more efficiently.

Staff believes the proposed project will have no significant negative impact on existing nursing home providers in Caroline and Dorchester Counties. The construction of the new addition will make the existing Chesapeake Woods Center stronger financially and help the applicant operate the facility more efficiently.

IV. SUMMARY AND STAFF RECOMMENDATION

Staff has analyzed the proposed project's compliance with the applicable State Health Plan criteria and standards in COMAR 10.24.01.08.05A and B, and with the other Certificate of Need review criteria, COMAR 10.24.01.08G(3)(b)-(f).

Based on these findings, Staff recommends that the project be **APPROVED**, with the following condition:

At the time of first use review, the Chesapeake Woods Center operator shall provide the Commission with a completed Memorandum of Understanding with the Maryland Medical Assistance Program agreeing to maintain the proportion of Medicaid patient days required by Nursing Home Standard COMAR 10.24.08.05A(2).

IN THE MATTER OF

*

BEFORE THE

*

CHESAPEAKE WOODS

*

MARYLAND HEALTH

CENTER

*

CARE COMMISSION

*

DOCKET NO. 12-09-2331

*

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FINAL ORDER

Based on Commission Staff's analysis and findings, it is this 19th day of July 2012, **ORDERED** that:

The application for a Certificate of Need, submitted by 525 Glenburn Avenue Operations, LLC, to construct a 32 bed addition to Chesapeake Woods Center, at an estimated cost of \$3,492,000, Docket No. 12-09-2331, be **APPROVED**, subject to the following condition:

At the time of first use review, the Chesapeake Woods Center operator shall provide the Commission with a completed Memorandum of Understanding with the Maryland Medical Assistance Program agreeing to maintain the proportion of Medicaid patient days required by Nursing Home Standard COMAR 10.24.08.05A(2).

MARYLAND HEALTH CARE COMMISSION

July 19, 2012

Appendix A

Site Plan

Appendix B

Floor Plan



Proposed Addition Floor Plan
 1/8" = 1'-0"

Typical Patient Room Plans
 1/8" = 1'-0"

Renovations and Additions to
Chesapeake Woods Center
 825 Glenburn Avenue
 Cambridge, MD 21613
Genesis HealthCare
 Kenneth Square, Pa.

Hilles
 ARCHITECTS
 1500 Lakeside Dr.
 Lanham, MD 20786
 Tel: 771.238.5555
 Fax: 771.238.5555

THIS DRAWING REPRESENTS
 AN APPROXIMATE PLAN AND
 SHOULD NOT BE USED FOR
 CONSTRUCTION WITHOUT
 THE CONSULTATION OF THE
 ARCHITECT'S OFFICE.

SK-A1
Proposed Floor Plan
1-23-12
8/1

Appendix C

The Star Quality Rating System

Strengths and Limitations of the Five-Star Ratings

Like any information, the Five-Star rating system has strengths and limits. Here are some things to consider as you compare nursing homes.

Health Inspection Results

Strengths:

- Comprehensive: The nursing home health inspection process looks at all major aspects of care in a nursing home (about 180 different items).
- Onsite Visits by Trained Inspectors: It is the only source of information that comes from a trained team of objective surveyors who visit each nursing home to check on the quality of care, inspect medical records, and talk with residents about their care.
- Federal Quality Checks: Federal surveyors check on the state surveyors' work to make sure they are following the national process and that any differences between states stay within reasonable bounds.

Limits:

- Variation between States: There are some differences in how different states carry out the inspection process, even though the standards are the same across the country.
- Medicaid Program Differences: There are also differences in state licensing requirements that affect quality, and in state Medicaid programs that pay for much of the care in nursing homes.

TIP: The best comparisons are made by looking at nursing homes within the same state. You should be careful if you are trying to compare a nursing home in one state with a nursing home in another state.

Staffing

Strengths:

- Overall Staffing: The quality ratings look at the overall number of staff compared to the number of residents and how many of the staff are trained nurses.
- Adjusted for the Population: The ratings consider differences in how sick the nursing home residents are in each nursing home, since that will make a difference in how many staff are needed.

Limits:

- Self-Reported: The staffing data are self-reported by the nursing home, rather than collected and reported by an independent agency.
- Snap-Shot in Time: Staffing data are reported just once a year and reflect staffing over a 2 week period of time.

TIP: Quality is generally better in nursing homes that have more staff who work directly with residents. It is important to ask nursing homes about their staff levels, the qualifications of their staff, and the rate at which staff leave and are replaced.

Quality Measures

Strengths:

- In-Depth Look: The quality measures provide an important in-depth look at how well each nursing home performs on ten important aspects of care. For example, these measures show how well the nursing home helps people keep their ability to dress and eat, or how well the nursing home prevents and treats skin ulcers.
- National Measures: The ten quality measures we use in the Five-Star rating are used in all nursing homes.

Limits:

- Self-Reported Data: The quality measures are self-reported by the nursing home, rather than collected and reported by an independent agency.
- Just a Few Aspects of Care: The quality measures represent only a few of the many aspects of care that may be important to you.

TIP: Talk to the nursing home staff about these quality measures and ask what else they are doing to improve the care they give their residents. Think about the things that are most important to you and ask about them, especially if there are no quality measures that focus on your main concerns.

Appendix D

Nursing Home Compare for Dorchester and Caroline Counties

	<u>CHESAPEAKE WOODS CENTER</u> 525 GLENBURN AVENUE CAMBRIDGE, MD 21613 (410) 221-1400	<u>SIGNATURE HEALTHCARE AT MALLARD BAY</u> 520 GLENBURN AVENUE CAMBRIDGE, MD 21613 (410) 228-9191
Overall Rating	★★★★ 4 out of 5 stars	★★★★★ 5 out of 5 stars
<u>Health Inspections</u>	★★★ 3 out of 5 stars	★★★★ 4 out of 5 stars
<u>Nursing Home Staffing</u>	★★★★ 4 out of 5 stars	★★★★★ 4 out of 5 stars
<u>Quality Measures</u>	★★★ 3 out of 5 stars	★★★★★ 5 out of 5 stars
<u>Fire Safety Inspections</u>	0 Fire Safety Deficiencies	3 Fire Safety Deficiencies
<u>Penalties and Denials of Payment Against the Nursing Home</u>	0 Civil Money Penalties 0 Payment Denials	0 Civil Money Penalties 0 Payment Denials
<u>Complaints and Incidents</u>	0 Complaints 6 Incidents	0 Complaints 2 Incidents
<u>Nursing Home Characteristics</u>		
Program Participation	Medicare and Medicaid	Medicare and Medicaid
Number of Certified Beds	98 Certified Beds	160 Certified Beds
Type of Ownership	For profit - Corporation	For profit - Corporation
Continuing Care Retirement Community	No	No
Resident & Family Councils	Resident & Family Councils	Resident Council Only
Located in a Hospital	No	No

	CAROLINE NURSING HOME 520 KERR AVENUE DENTON, MD 21629 (410) 479-2130	ENVOY OF DENTON 420 COLONIAL DR DENTON, MD 21629 (410) 479-4400
Overall Rating	★★ 2 out of 5 stars	★ 1 out of 5 stars
Health Inspections	★★ 2 out of 5 stars	★ 1 out of 5 stars
Nursing Home Staffing	★★ 2 out of 5 stars	★★★★ 3 out of 5 stars
Quality Measures	★★★★ 4 out of 5 stars	★★ 2 out of 5 stars
Fire Safety Inspections	1 Fire Safety Deficiencies	1 Fire Safety Deficiencies
Penalties and Denials of Payment Against the Nursing Home	0 Civil Money Penalties 0 Payment Denials	0 Civil Money Penalties 0 Payment Denials
Complaints and Incidents	1 Complaints 0 Incidents	3 Complaints 7 Incidents
Nursing Home Characteristics		
Program Participation	Medicare and Medicaid	Medicare and Medicaid
Number of Certified Beds	78 Certified Beds	96 Certified Beds
Type of Ownership	For profit - Corporation	For profit - Corporation
Continuing Care Retirement Community	No	No
Resident & Family Councils	Resident & Family Councils	Resident & Family Councils
Located in a Hospital	No	No

Appendix E

Comparison of Quality as
Indicated by Maryland OHCQ
Survey Data (Deficiency Records)

Overall Medicare 5 Star Rating	Chesapeake Woods Center 4 Stars	Signature Healthcare at Mallard Bay 5 Stars	Caroline Nursing & Rehab Center, Inc. 2 Stars	Envoy of Denton 1 Star
Maryland Deficiencies By CY Quarters				
2009 Q1		AS: B-1, D-3, F-1 CS: D-2		
Q2	AS: D-1 FS: B-1; D-1, F-1	CS: D-1	AS: B-1 FS: B-2, D-1	AS: D-1 CS: D-1 FS: B-4, D-3, E-2
Q3				
Q4		AS: D-3	CS: D-1, E-1	
2010 Q1	AS: D-3, G-1	FS: B-3; D-5, E-1		AS: D-2, E-1 CS: D-1 FS: B-4, D-2, E-1
Q2			AS: D-2	
Q3		CS: G-1		
Q4			CS: D-1	
2011 Q1	AS: D-2	FS: B-1, E-1, F-1	FS: D-1	FS: B-1
Q2	CS: G-1			AS: D-1 CS: D-1, G-1, J-1
Q3			AS: D-11, E-2, F-1 CS: D-1	
Q4		CS: D-2, E-2	CS: E-1	CS: E-1
2012 Q1				CS: C-1, D-1
Q2				
Q3				
Q4				

Source: MHCC Guide to Long Term Care

Note: State-wide, about 24% of all deficiencies are level A-C and indicate that the CCF is substantially in compliance with those regulations; Level D deficiencies constitute 59% of all deficiencies and Level E deficiencies account for 16% of all deficiencies; Level F and G each account for 4% of all deficiencies.

Key: Type of Inspection: Level of deficiency-number of deficiencies
e.g., AS: D-4 means Annual Health Survey with 4 level D deficiencies

Types of inspections: AS = Annual (Health) Survey, FS = Fire/Safety, CS = Complaint,
[note: there can be more than one type of inspection in a quarter]

Levels of deficiencies:

- A = Potential for no more than minimal harm/Isolated occurrence
- B = Potential for no more than minimal harm/Pattern
- C = Potential for no more than minimal harm/Wide Spread
- D = Potential for more than minimal harm/Isolated
- E = Potential for more than minimal harm/Pattern
- F = Potential for more than minimal harm/Wide Spread
- G = Actual Harm, Isolated.
- H = Actual Harm/Pattern
- I = Actual Harm/Wide Spread
- J = Immediate Jeopardy/Isolated
- K = Immediate Jeopardy/Pattern
- L = Immediate Jeopardy/Wide-Spread