

Craig P. Tanio, M.D.
CHAIR

STATE OF MARYLAND



Ben Steffen
EXECUTIVE DIRECTOR

MARYLAND HEALTH CARE COMMISSION

4160 PATTERSON AVENUE – BALTIMORE, MARYLAND 21215
TELEPHONE: 410-764-3460 FAX: 410-358-1236

MEMORANDUM

TO: Commissioners

FROM: Rebecca Goldman *RG*
Health Policy Analyst

DATE: December 20, 2012

SUBJECT: College View Center
Docket No. 12-10-2336

Enclosed is a staff report and recommendation for a Certificate of Need ("CON") application filed by College View Center. College View is a 119-bed comprehensive care facility located in Frederick. It is operated by Genesis Corporation. Genesis proposes to construct a 130-bed replacement facility to be located 2.3 miles from the current location. It will incorporate 119 beds from the existing facility and add 11 temporarily delicensed beds formerly operated at Frederick Memorial Hospital.

The total estimated cost of the project is \$19.2 million. The sources of funding anticipated include \$215,000 in cash from the applicant and \$19 million 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

COLLEGE VIEW CENTER

DOCKET NO. 12-10-2336

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BEFORE THE

MARYLAND HEALTH

CARE COMMISSION

Staff Report and Recommendation

December 20, 2012

TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------|
| I. INTRODUCTION | |
| The Applicant and the Project..... | 1 |
| Summary and Staff Recommendation | 2 |
| II. PROCEDURAL HISTORY | |
| Review Record..... | 2 |
| Local Government Review and Comment..... | 3 |
| Interested Parties in Review..... | 3 |
| III. DEMOGRAPHIC BACKGROUND | 3 |
| IV. PROJECT CONSISTENCY WITH REVIEW CRITERIA AND STANDARDS | |
| A. COMAR 10.24.01.08G(3)(a)-THE STATE HEALTH PLAN | |
| COMAR 10.24.08.05: Nursing Home Standards | |
| 1. Identification of Bed Need..... | 7 |
| 2. Medical Assistance Participation..... | 7 |
| 3. Community Based Services | 9 |
| 4. Non-Elderly Residents | 9 |
| 5. Appropriate Living Environment..... | 10 |
| 6. Public Water..... | 11 |
| 7. Facility and Unit Design | 11 |
| 8. Disclosure | 12 |
| 9. Collaborative Relationships | 12 |
| COMAR 10.24.08.05A(1)-(9): New Construction or Expansion of Beds or Services | |
| 1. Bed Need..... | 12 |
| 2. Facility Occupancy | 14 |
| 3. Jurisdictional Occupancy | 14 |
| 4. Medical Assistance Program Participation | 14 |
| 5. Quality..... | 15 |
| 6. Location | 16 |
| B. COMAR 10.24.01.08G(3)(b) NEED | 16 |
| C. COMAR 10.24.01.08G(3)(b) AVAILABILITY OF MORE COST-EFFECTIVE ALTERNATIVES | 17 |
| D. COMAR 10.24.01.08G(3)(d)-VIABILITY OF THE PROPOSAL | 18 |
| E. COMAR 10.24.01.08G(3)(e)-COMPLIANCE WITH CONDITIONS OF PREVIOUS CERTIFICATES OF NEED | 26 |

| | |
|---|-----------|
| F. COMAR 10.24.01.08G(3)(f)-IMPACT ON EXISTING PROVIDERS | 27 |
| V. SUMMARY AND STAFF RECOMMENDATION..... | 27 |

Appendices

- A. Site Plan
- B. Floor Plan
- C. The Star Quality Rating System

STAFF REPORT AND RECOMMENDATION

I. INTRODUCTION

The Applicant and the Project

College View Center (“College View”), an affiliate of Genesis HealthCare (“Genesis”), is a 119-bed comprehensive care facility (“CCF”) located at 700 Toll House Avenue, in Frederick County. Genesis operates 35 nursing homes in Maryland and a total of more than 200 nursing homes, senior and assisted living residences in 13 eastern states. The existing facility has a 20-bed transitional care or short-term care unit and a 99-bed long term care unit. Genesis operates the CCF and controls the bed rights, leasing the land and physical facilities from Frederick Memorial Hospital (“FMH”).

Genesis proposes construct a 130-bed replacement building located on Ballenger Drive, 2.3 miles from the current location in Frederick, by moving 119 beds from the existing facility and adding 11 temporarily delicensed beds formerly operated at FMH. The one-level facility will include 76,244 square feet and will be located on 5.8 acres. The proposed project will offer services and space which the applicant describes as consistent with contemporary standard of care and will comply with local, state, and industry design regulations. The current facility was constructed in 1964. Approximately 56 beds will be used for short stay services for recuperation with six semi-private rooms and 44 private rooms. Seventy-four beds will be in the long term care unit, with 36 semi-private rooms and two private rooms. Nursing units will be configured as “neighborhoods”. Each unit will have its own dining and activity rooms. The facility will have family meeting areas.

In connection with the proposed facility relocation, the legal name of the entity will change to Ballenger Center Drive and Carrier Lane Operations LLC, which is the legal entity that holds the CCF license at the current location and will continue to hold the license at a new location. After relocation, Ballenger Center Drive and Carrier Lane Operations, LLC will lease property owned by an affiliate of Health Care REIT, which owns all of the real estate assets of Genesis Healthcare.

College View expects that the obligation of the project expenditure will follow within one month of receipt of a CON and construction would begin within one month of the capital obligation. Construction is anticipated to take approximately 12 months, with first use notification 13 months from capital obligation, and full utilization two months after first use.

The total cost of the project is \$19,215,000 which includes \$18,310,000 in total capital costs; \$405,000 in loan placement, legal, and consultant fees; and \$500,000 in startup costs. The sources for the funding will include \$215,000 in cash from the applicant and \$19,000,000 in funds from Health Care REIT.

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, College View 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

700 Toll House Avenue Operations LLC filed a letter of intent for this project on May 4, 2012. Staff acknowledged receipt of the letter of intent on May 9, 2012 (Docket Item ["DI"] #1). On July 6, 2012, 700 Toll House Avenue Operations LLC modified the letter of intent with included details about a merger between Genesis HealthCare and Sun Healthcare Group, Inc. and a modification to the proposed number of beds at the facility (DI #2).

On July 6, 2012, a CON application was filed on behalf of 700 Toll House Avenue Operations LLC and College View Center (DI #3) and assigned Matter No. 12-10-2336. Receipt was acknowledged by letter on July 9, 2012 (DI #4). On that same day, staff requested that the *Frederick Post* and the *Maryland Register* publish notice of receipt of the application (DI #5 and #6).

On July 20, 2012, staff sent a letter requesting responses to completeness and additional information questions (DI #7).

On July 30, 2012, staff received answers to completeness and additional information questions (DI #8).

Staff received confirmation of publication of the notice of receipt of the application in the *Frederick Post* (DI #9). [Date uncertain.]

On August 8, 2012, staff received a letter of support for the proposed project from Frederick Memorial Hospital (DI #10).

On August 14, 2012, staff sent a letter requesting responses to completeness and additional information questions (DI #11).

On August 16, 2012, Staff granted Genesis an extension of one week to submit responses to the second round of completeness questions (DI #12).

On September 4, 2012, staff received answers to completeness and additional information questions (DI #13).

On September 17, 2012, the applicant was notified that the application would be docketed on October 5, 2012 (DI #14). On the same day, staff requested that the *Frederick Post* and the *Maryland Register* publish notice of the docketing of the application. (DI #15 and #16) On the same day, staff submitted a request for review and comment, along with a copy of the application, to the Frederick County Health Department (DI #17).

On February 21, 2012, staff received confirmation of publication of the notice of receipt of the application in the *Frederick Post* (DI #18).

On November 19, 2012, staff sent a letter requesting responses to additional information questions (DI #19).

On November 28, 2012, staff received answers to additional information questions (DI #20).

Local Government Review and Comment

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

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

Thomas A Kleinhanzl, President and CEO, Frederick Memorial Healthcare System
Jane Kinney, Community Liaison, FMH Home Health Services
Bobbi Duffy, Regional Manager, Maryland, MedOptions

Interested Parties in Review

There are no interested parties in this review.

III. DEMOGRAPHIC BACKGROUND

Frederick County Population Growth Patterns and Age Composition

The following tables identify population growth and aging in Frederick County.

The Maryland Department of Planning (MDP) reports that the total population in Frederick County reported in the 2010 U.S. Census is 233,385. The MDP's population projections indicate that Frederick County's population will grow through the year 2040, particularly in age groups 65 and over. By 2040, the number of people age 65 and over in Frederick County is projected to total 70,892 – 44,978 more than in 2010 and an increase of 174

percent, compared to the total projected population growth in the county of 44 percent. The anticipated growth rate through 2040 in Frederick County is higher than the state's projected population growth for every age cohort.

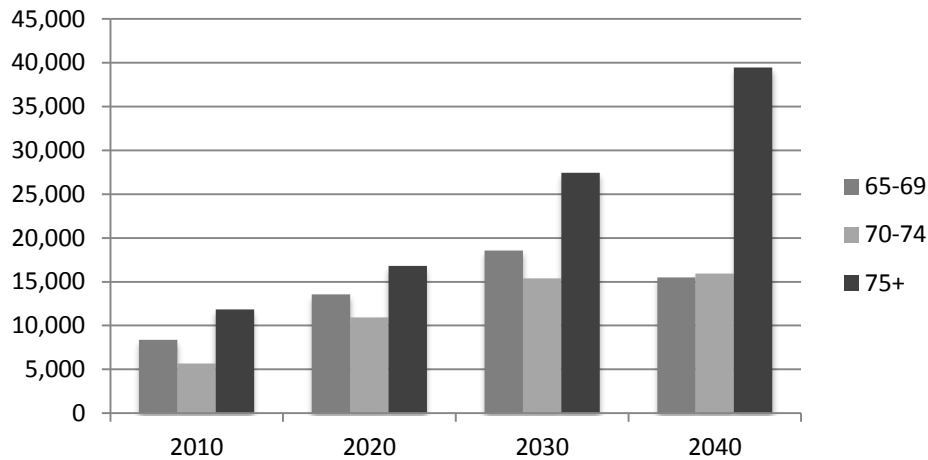
**Table 1: Trends in Population by Age Group,
Frederick County and State of Maryland, CY 2010-2040**

| FREDERICK COUNTY | | | | | | | | |
|--------------------------|-------------------|-------------|-------------|-------------|-----------------------|------------------|------------------|------------------|
| Age | Population | | | | Percent Change | | | |
| | 2010 | 2020 | 2030 | 2040 | 2010-2020 | 2020-2030 | 2030-2040 | 2000-2040 |
| 0-14 | 48,399 | 50,859 | 58,744 | 62,456 | 5.1% | 15.5% | 6.3% | 29.0% |
| 15-44 | 92,284 | 101,487 | 115,179 | 124,541 | 10.0% | 13.5% | 8.1% | 35.0% |
| 45-64 | 66,788 | 74,007 | 69,752 | 77,209 | 10.8% | -5.7% | 10.7% | 15.6% |
| 65-69 | 8,373 | 13,571 | 18,563 | 15,490 | 62.1% | 36.8% | -16.6% | 85.0% |
| 70-74 | 5,687 | 10,912 | 15,377 | 15,948 | 91.9% | 40.9% | 3.7% | 180.4% |
| 75+ | 11,854 | 16,810 | 27,442 | 39,454 | 41.8% | 63.2% | 43.8% | 232.8% |
| Total | 233,385 | 267,646 | 305,057 | 335,098 | 14.7% | 14.0% | 9.8% | 43.6% |
| STATE OF MARYLAND | | | | | | | | |
| Age | Population | | | | Percent Change | | | |
| | 2010 | 2020 | 2030 | 2040 | 2010-2020 | 2020-2030 | 2030-2040 | 2000-2040 |
| 0-14 | 1,136,846 | 1,110,385 | 1,155,943 | 1,202,172 | -2.3% | 4.1% | 4.0% | 5.7% |
| 15-44 | 2,334,925 | 2,357,553 | 2,422,097 | 2,546,503 | 1.0% | 2.7% | 5.1% | 9.1% |
| 45-64 | 1,225,408 | 1,597,972 | 1,637,289 | 1,534,792 | 30.4% | 2.5% | -6.3% | 25.2% |
| 65-69 | 168,242 | 226,596 | 331,533 | 392,357 | 34.7% | 46.3% | 18.3% | 133.2% |
| 70-74 | 153,043 | 159,761 | 264,166 | 340,675 | 4.4% | 65.4% | 29.0% | 122.6% |
| 75+ | 278,022 | 321,285 | 405,128 | 595,400 | 15.6% | 26.1% | 47.0% | 114.2% |
| Total | 5,296,486 | 5,773,552 | 6,216,156 | 6,611,899 | 9.0% | 7.7% | 6.4% | 24.8% |

Source: Maryland Department of Planning

Chart 1 illustrates the projected 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.

Chart 1: Frederick County Population Trends by Age Cohort



Long-Term Care and Comprehensive Care Facility Beds in Frederick County

There are currently 11 comprehensive care facilities with 1,075 licensed CCF beds in Frederick County. The number of patient days in comprehensive care facility (CCF) beds in Frederick County has grown 2.6 percent since 2007, a net increase of 9,419 more patient days. The jurisdiction's average annual CCF bed occupancy rate has remained steady and healthy at 91 percent since 2007, compared to the state's average of 89 percent occupancy.

Table 2: Patient Days in Frederick County Nursing Homes, 2007-2010

| Facility | 2007 | 2008 | 2009 | 2010 | Net Change 07-10 | Percent Change 07-10 |
|--------------------------------------|----------------|----------------|----------------|----------------|------------------|----------------------|
| Buckingham's Choice | 12,393 | 13,376 | 13,469 | 12,911 | 518 | 4.2% |
| Citizens Nursing Home | 53,125 | 51,477 | 50,931 | 52,885 | -240 | (0.5%) |
| College View Center | 37,948 | 38,474 | 37,618 | 36,672 | -1,276 | (3.4%) |
| Frederick Memorial Hospital TCU | 6,533 | 6,460 | 6,583 | 6,266 | -267 | (4.1%) |
| Glade Valley Center | 43,054 | 42,772 | 43,268 | 52,465 | 9,411 | 21.9% |
| Golden Living Center | 41,136 | 40,871 | 41,860 | 41,900 | 764 | 1.9% |
| Homewood At Crumland Farms | 42,188 | 42,889 | 42,981 | 42,230 | 42 | 0.1% |
| Northampton Manor Health Care Center | 63,198 | 66,010 | 63,962 | 66,123 | 2,925 | 4.6% |
| St. Catherine's Nursing Center | 24,898 | 24,942 | 24,521 | 26,410 | 1,512 | 6.1% |
| St. Vincent Care Center | 15,735 | 15,942 | 15,712 | 11,942 | -3,793 | (24.1%) |
| Vindobona Nursing Home | 20,891 | 19,572 | 20,415 | 20,714 | -177 | (0.8%) |
| County Total | 361,099 | 362,785 | 361,320 | 370,518 | 9,419 | 2.6% |

Source: MHCC Long Term Care Survey

Table 3: Facility, County and State CCF Occupancy, Frederick County, 2007-2010

| Facility Name | Beds (Current) | Occupancy Rate | | | |
|--------------------------------------|-------------------|----------------|-------|-------|-------|
| | | 2007 | 2008 | 2009 | 2010 |
| Buckingham's Choice | 42 | 80.8% | 87.0% | 87.9% | 84.2% |
| Citizens Nursing Home | 170 | 92.7% | 83.4% | 82.1% | 85.2% |
| College View Center | 119 | 75.9% | 88.3% | 86.6% | 84.4% |
| Frederick Memorial Hospital TCU | 20 | 89.5% | 88.3% | 90.2% | 85.8% |
| Glade Valley Center | 124 | 95.1% | 94.2% | 95.6% | 95.0% |
| Golden Living Center | 120 | 93.9% | 93.1% | 95.6% | 95.7% |
| Homewood At Crumland Farms | 120 | 96.3% | 97.7% | 98.1% | 96.4% |
| Northampton Manor Health Care Center | 196 | 93.7% | 94.9% | 92.2% | 92.7% |
| St. Catherine's Nursing Center | 76 | 98.9% | 98.8% | 97.4% | 98.6% |
| St. Vincent Care Center | 23 | 93.7% | 94.7% | 93.6% | 79.8% |
| Vindobona Nursing Home | 65 | 88.1% | 82.3% | 86.1% | 87.3% |
| County Total | 1,075 | 91.2% | 91.5% | 91.2% | 90.9% |
| Maryland | 28,197 | 89.3% | 88.8% | 89.1% | 89.2% |

Source: MHCC Long Term Care Survey

The Frederick County retention rate in recent years has been 84 percent (about 19 percent of County residents obtaining CCF admission in recent years have gone to a CCF outside of the jurisdiction). With 24 jurisdictions in Maryland, Frederick had the 7th highest retention rate for residents remaining in the county of residence to obtain nursing home care in the last three years for which data is available.

Table 4: Retention Rates for Frederick County Comprehensive Care Facilities, 2007-2009

| County | 2007 | 2008 | 2009 |
|-----------|-------|-------|-------|
| Frederick | 83.6% | 83.6% | 84.3% |

Source: CMS Minimum Data Set (MDS) 2.0

Quality Indicators for Comprehensive Care Facilities in Frederick County

Staff reviewed the most recent “5 Star” ratings for the nursing facilities located in Frederick County by the quality rating program of the Center for Medicare and Medicaid Services (“CMS”) that was initiated in December 2008. With regard to the nursing homes in Frederick County, College View received a “3 star” rating, with a 2 rating in Health Inspections and a 4 rating in Nursing Home Staffing and Quality Measures. Please see Appendix C on further information regarding the CMS rating system, and the strengths and limitations of using these ratings categories.

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

| Facility | Overall Rating | Health Inspections | Nursing Home Staffing | Quality Measures |
|--|----------------|--------------------|-----------------------|------------------|
| Buckingham's Choice | 5 | 5 | 4 | 4 |
| Vindobona Nursing Home | 3 | 2 | 4 | 4 |
| St. Joseph's Ministries (St. Catherine's and St. Vincent's) | 4 | 3 | 4 | 4 |

| | | | | |
|----------------------------|---|---|---|---|
| College View Center | 3 | 2 | 4 | 4 |
| Citizens Nursing Home | 4 | 4 | 4 | 3 |
| Golden Living Center | 5 | 4 | 3 | 5 |
| Northampton Manor | 2 | 2 | 3 | 4 |
| Homewood at Crumland Farms | 4 | 4 | 4 | 3 |
| Glade Valley Center | 5 | 4 | 4 | 5 |

For further details on the results of the ratings for each of these 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.

College View is not seeking to increase nursing home bed capacity in Frederick County. It will relocate 119 CCF beds from the existing College View Center and will add 11 beds acquired from FMH. These beds have been recognized as qualifying for temporary delicensure status. The number of beds in Frederick County’s current inventory of operating and temporarily delicensed beds will not change with the proposed project.

(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.**

College View Center currently participates in the Medical Assistance Program and, with the proposed relocation, will continue participation.

The Commission's most recently published Required Maryland Medical Assistance Participation Rates for Nursing Homes by Region and Jurisdiction for Fiscal Year 2010 required that Frederick County nursing homes maintain at least 40.27 percent of its resident as Medicaid. In College View's original projection (prior to Staff's request to revise patient mix projections to be in line with county averages), College View projects the facility's Medicaid percentage will be approximately 45 percent. In FY 2010, Commission reports indicate that 73 percent of College View's patient days were Medicaid days.

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

At the time of first use review, College View 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.**

College View provides information to all prospective residents about the existence of alternative community-based services, including Medicaid home and community-based waiver programs, home care, medical day care, assisted living, and other initiatives to promote care in the most appropriate settings. College View provides the handouts requested by the state with phone numbers to state agencies, advocacy groups, and legal services. A copy of the Frederick County Department of Aging Resource Book which contains extensive lists of resources in the area is also given to each resident (DI #8, page 7 and DI #13, Exhibit 3).

College View asserts that it initiates discharge planning on admission and provided the table of contents for the Center’s Policies and Procedures Manual. The table of contents includes a section on the “Care Process”, under which discharge planning is included.

The applicant also 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 this information, the project 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.

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.

College View 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.

Based on these statements, the project 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 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.

College View commits that none of the rooms will be constructed for greater than two residents per room (DI #3), that individual temperature controls will be provided in resident rooms (DI #8, page 8), and no more than two residents will share a toilet (DI #3) in the proposed plans.

The College View replacement facility design provides for 44 out of 56 beds (78.6 percent) to be private in the Transitional Care Unit (TCU) and two private beds out of 74 beds

(2.7 percent) to be private in the Long Term Care (LTC) Unit. Genesis states that it would prefer to provide private rooms for all of its residents, but it is not financially feasible for this project. The plans provide for a higher percentage of private rooms in TCU because shorter stay residents tend to have much higher acuity conditions upon admission, including risk of infection. TCU patients often require more room for equipment and Genesis believes that providing private rooms in the TCU will be most effective.

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 public sewerage. 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 states that the proposed design addresses the challenges of aging and accompanying physical and mental disabilities and encourages the development of relationships among residents and between residents and facility staff. The applicant describes the proposed facility as “non-institutional, homelike and therapeutic,” highlighting the “smaller, neighborhood oriented units,” each with separate living and dining spaces and access to outdoor space.

The applicant believes the new facility will incorporate the fundamentals of “Long Term Care Enhancements” or “Culture Change”, a nationwide movement to create living situations for nursing home residents in line with the Nursing Home Reform Law of 1987. 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 the applicant outlines.

The design for the addition will use non-institutional design elements, a “neighborhood” concept, access to outdoor space, resident-focused schedules, smaller and more decentralized dining rooms, wood-like or carpet flooring, home-like lighting levels, private areas throughout

the facility, understated security, and space for families to use. Long term care units will be designed to restore and maintain health and wellbeing of the residents. These facilities will include dining cafes, common areas, and spa shower rooms specifically designed to meet the needs of longer-term residents. A single large therapy area and gym space will be off the front lobby and easily accessible by all residents needing treatment.

The applicant describes the high ratio of registered nurses that will ensure high quality care. Genesis subsidiaries will be employed for medical direction and therapeutic services, through service contracts, based on individual resident treatment plans.

The project complies with 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.

College View 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.

College View lists the contract service providers, hospitals, discharge referral sources, religious groups, and volunteer groups with which it has developed collaborative relationships at the existing facility. It can be assumed that the relocated facility, which will be 2.3 miles away from the existing facility, will have a similar relationship with these organizations to assure that each resident has access to the entire long term care continuum.

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.**

This project does not propose an increase in CCF beds in Frederick County beyond the current licensed (operational and temporarily delicensed) beds in the County and the Commission does not project additional need for CCF beds in Frederick County.¹ The applicant submits that relocation of the existing comprehensive care facility is needed because the existing facility does not meet today's standards of nursing care. The existing facility was built in 1964 with resident rooms built to minimal standards (not ADA compliant). The existing facility does not have sufficient space for residents' equipment such as IV stands, oxygen concentrators, wheelchairs, and CPM machines. Resident baths are not ADA compliant. The rehabilitation space is in the basement, and the facility has a single elevator, antiquated mechanical and electrical systems, and insufficient space for support services. Renovations are prohibited due to the existence of undesirable building materials such as asbestos and lead paint.

Short stay residents sometimes require accommodation in the long term care unit due to lack of sufficient beds in the transitional care unit. The applicant states that College View temporarily delicensed nine beds in 2011 due to the challenges associated with retaining referrals at an aged physical plant (DI #13, page 4). Relocation of the existing facility to the proposed project suite will provide access to improved facility design and modern standards of care for residents.

Based on U.S. Census Bureau data, the Maryland Department of Planning projects that the population in Frederick County will increase by 44 percent in Frederick County between the years 2010 through 2040 (see Table 1 on page 5). By 2040, the number of people age 65 and over in Frederick County is projected to total 70,892 – 44,978 more than in 2010, and an increase of 174 percent, compared to the total population growth in the county of 44 percent.

Nursing home patient days in Frederick County has been growing in recent years, and the average annual occupancy rate of CCF beds in Frederick County averaged 91 percent between 2007 and 2010, compared to the overall state average of 89 percent (see Table 3 on page 6). At College View, the number of patient days has decreased 3.4 percent since 2007 and the occupancy rate has fluctuated between 76 and 88 percent between 2007 and 2010 (Table 3).

Staff finds that the applicant has supported the need for the relocation of the existing College View Center, and the addition of 11 beds being relocated to the new College View facility that were operated at FMH through 2011. The applicant has demonstrated that the existing facility is not up to modern standards, which can be addressed by the proposed replacement and relocation. The purchase of 11 beds from FMH will make the new facility more

¹ Please see Supplement 2, Projected Need for Nursing Home Beds (2011) and Home Health Agencies (2010), available at: <http://mhcc.dhmdh.maryland.gov/lrc/Documents/sp.mhcc.maryland.gov/statehealthplan/comar102408/sup2.pdf>

economically sized and feasible, if it can reap the benefit of higher bed occupancy in the more attractive new facility.

The project has met the requirements of subsection (b) of 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.

Because this project does not seek to increase the number of beds available in the county, the applicant suggests that this rule should not apply. The applicant will relocate the existing 119 beds and seek to purchase 11 CCF beds from FMH.

While College View does not propose to add beds to the County's total inventory of licensed and temporarily delicensed beds, the project does involve what could be viewed as a facility expansion, given that it proposes a larger replacement College View.

Staff believes that antiquated facilities are a basis for allowing replacement projects of this type to be implemented with a reconfiguration of bed capacity in the jurisdiction, such as that seen here with the former FMH CCF beds, even when bed occupancy at the facility has fallen below 90%. Using such an occupancy rate as a rigid bar to allowing such projects would not allow for modernization of older facilities which have a more difficult time maintaining high bed occupancy because they have less desirable facilities. Thus, we recommend that the project be found consistent with the requirements of subsection (b) of 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.

The applicant seeks the relocation of an existing facility, with expansion of bed capacity through acquisition of other beds in the jurisdiction, not approval for a new nursing home. Therefore, this rule does not apply to this project.

(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.

College View currently participates in the Medicaid Assistance Program and will execute an MOU prior to pre-licensing. As previously noted in the discussion of COMAR 10.24.08.05A(2), staff recommends conditional 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.**

According to the Office of Health Care Quality, the facility does not have an outstanding Level G or higher deficiency related to last standard health inspection on September 16, 2011 for the reporting period from June 1, 2011 to August 31, 2012. According to the CMS Nursing Home comparison, College View was cited for 12 health deficiencies during this time (Maryland State average is 10.7). For the two previous reporting periods College View was cited for 13 health deficiencies (reporting period June 1, 2010 through May 31, 2011) and five health deficiencies (reporting period June 1, 2009 to May 31, 2010). Deficiencies categories and scores are listed below for the last three reporting periods.

**Table 6: College View and Maryland State
CMS Nursing Home Compare Ratings**

| | | | |
|------------------------------------|-----------------------|-----------------------|-----------------------|
| Survey Date: | 09/16/11 | 08/31/10 | 06/25/09 |
| Complaint Reporting Period: | 06/01/11- 08/31/12 | 06/01/10- 05/31/11 | 06/01/09- 05/31/10 |

| Deficiency Category | | | |
|---|-------------|------------|-------------|
| Mistreatment Deficiencies | 0 | 0 | 0 |
| Quality Care Deficiencies | 5 | 1 | 1 |
| Resident Assessment Deficiencies | 1 | 2 | 0 |
| Resident Rights Deficiencies | 0 | 0 | 1 |
| Nutrition and Dietary Deficiencies | 0 | 1 | 0 |
| Pharmacy Service Deficiencies | 2 | 0 | 0 |
| Environmental Deficiencies | 3 | 6 | 2 |
| Administration Deficiencies | 1 | 3 | 1 |
| Deficiencies Reported Between Inspections | 0 | 0 | 0 |
| Total | 12 | 13 | 5 |
| State Average | 10.7 | 8.7 | 11.2 |

The applicant states that it has continually maintained its state licensure and certification for participation in Medicare and Medicaid programs.

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.

The new building is 2.3 miles from the existing site and will provide residents with an improved standard of care from a facility's design and space perspective. The proposed site is currently zoned for Manufacturing/Office, which is compatible for a nursing home project in Frederick City with a Conditional Use approval. A Conditional Use approval was granted by the Zoning Board of Appeals on Frederick City on June 26, 2012. The site plan was filed on June 25, 2012 and was anticipated to be approved during the Fall of 2012 when the application was filed. The site is served by public utilities. This project complies with this standard.

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.

This project does not propose new beds and MHCC projects no additional bed need for CCF beds in Frederick County. The replacement and relocation of the existing comprehensive care facility is proposed on the basis of a need for a modern facility. The proposed project site is 2.3 miles from the existing facility and the service area is not projected to change. The College View replacement will add 11 beds, purchased from FMH.

College View provided data from Claritas regarding the projected growth for its primary and secondary service areas zip codes areas. The population in the PSA is projected to grow 21

percent between 2012 and 2017 and the population in the primary and secondary service areas combined is projected to grow 25 percent.

Table 7: College View Service Areas, Population Estimates and Projections

| Zip Code | County | % of Admissions from Zip Code | 2012 Population Estimate | 2017 Population Projection | % Change |
|----------------------|---------------|-------------------------------|--------------------------|----------------------------|--------------|
| Primary Service Area | | | | | |
| 21701 | Frederick | 20.4% | 4,361 | 5,029 | 15.3% |
| 21702 | Frederick | 13.8% | 4,198 | 5,243 | 24.9% |
| 21703 | Frederick | 6.8% | 2,184 | 2,927 | 34.0% |
| 21740 | Washington | 6.6% | 8,301 | 8,998 | 8.4% |
| 21716 | Frederick | 4.2% | 508 | 567 | 11.6% |
| 21771 | Frederick | 4% | 2,969 | 3,863 | 30.1% |
| 21769 | Frederick | 2.9% | 1,285 | 1,667 | 29.7% |
| 21704 | Frederick | 2.6% | 2,055 | 2,985 | 45.3% |
| PSA Subtotal | | 61.3% | 25,861 | 31,279 | 21.0% |
| 21157 | Carroll | 2.4% | 5,484 | 6,317 | 15.2% |
| 21788 | Frederick | 2.4% | 1,374 | 1,597 | 16.2% |
| 21774 | Frederick | 2.2% | 871 | 1,183 | 35.8% |
| 21793 | Frederick | 2.2% | 1,090 | 1,389 | 27.4% |
| 21755 | Frederick | 1.5% | 671 | 809 | 20.6% |
| 21770 | Frederick | 1.5% | 513 | 661 | 28.8% |
| 20871 | Montgomery | 1.3% | 2,372 | 3,231 | 36.2% |
| 20874 | Montgomery | 1.3% | 3,030 | 4,465 | 47.4% |
| 21754 | Frederick | 1.3% | 532 | 710 | 33.5% |
| 21158 | Carroll | 1.1% | 2,452 | 2,922 | 19.2% |
| 21758 | Frederick | 1.1% | 646 | 790 | 22.3% |
| 21791 | Carroll | 1.1% | 699 | 818 | 17.0% |
| 22554 | Stafford, WV | 1.1% | 3,401 | 5,081 | 49.4% |
| 25425 | Jefferson, WV | 1.1% | 1,372 | 1,847 | 34.6% |
| 20736 | Calvert | 0.9% | 1,043 | 1,443 | 38.4% |
| 20850 | Montgomery | 0.9% | 5,887 | 7,299 | 24.0% |
| 21787 | Carroll | 0.9% | 1,295 | 1,509 | 16.5% |
| 21798 | Frederick | 0.9% | 283 | 344 | 21.6% |
| SSA Subtotal | | 25.2% | 33,015 | 42,415 | 28.5% |
| Total | | 86.6% | 58,876 | 73,694 | 25.2% |

Seven out of eight (88 percent) zip code areas in the PSA are Frederick County zip code areas and 15 of the 26 (58 percent) zip code areas in the primary and secondary service areas are Frederick County zip codes areas. Based on the Frederick County population age cohort projections from the Department of Planning (Table 1 on page 5), the population 65 and older will grow at a faster rate than the total population in Frederick County (174 percent, compared to 44 percent for the state).

The applicant has provided evidence to support the need to replace and relocate the existing College View Center.

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.

College View's lease expires in April 2014 and FMH has expressed a desire to utilize the nursing home site for other alternatives. Therefore, rebuilding on the existing site was not considered an option.

Genesis also discussed the alternative of providing these services through an existing facility in Frederick County, Glade Valley. Glade Valley is a 124-bed Genesis comprehensive care facility. Relocating the 119 beds from College View would make Glade Valley a 243-bed facility. Doing this is not viable because a 119-bed addition could not be physically accommodated on Glade Valley's existing 6.8 acres of land. Glade Valley was not constructed to support a second story. In order to relocate College View's 119 beds to Glade Valley, Glade Valley would have to be demolished and a new more costly and less desirable facility built, according to Genesis. Further, considering the quality of life and "culture change" values that College View and Genesis promote, Genesis does not believe that a 243-bed institution is a desirable design for residents.

Genesis conducted a land search and looked at a number of potential sites in the Frederick area using criteria of cost, lot size, convenience, and appropriate fit with surrounding environment. Of the two finalist sites, the Ballenger Drive site met all criteria and the other had a higher price per acre and smaller lot size requiring plans for a multi-story building. Genesis determined the most appropriate site was at the proposed Ballenger Center, which is only 2.32 miles from the existing center and meets all necessary criteria.

In recent projects, Genesis has strived to take advantage of opportunities to add beds to Genesis projects that may be available from other facilities. Genesis states that a comparison between a 119-bed facility and a 130-bed facility indicates that a 130-bed facility will represent cost savings of approximately \$10 per patient per day due to decreased nursing hours per patient (3.71 hours per patient in a 119-bed facility and 3.59 hours per patient in a 130-bed facility). Total projected employee hours per patient day decrease from 6.05 hours to 5.74 hours.

Another alternative, closing the existing facility, was determined to not be a viable option because the average occupancy rate in Frederick County nursing homes is 91 percent.

The replacement building at Ballenger Drive was demonstrated to be the most cost effective alternative to meeting the needs of the nursing home population in Frederick County and the most practical alternative for Genesis. The applicant has reasonably demonstrated the cost effectiveness of the replacement and relocation alternative chosen.

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.

Financial statements were provided for FC-GEN Acquisition Holding LLC and subsidiaries as of December 31, 2011 and 2010. The financial statements document availability of the Genesis funding identified as source of project funding in the application (\$215,000). A letter from Health Care REIT, Inc. indicating interest in providing the remaining financing was also provided. Genesis expects HealthCare REIT to fund the College View replacement project through a real estate lease.

Project Cost

Genesis estimates the cost of the project is \$19,215,000. \$19,000,000 of the funding coming from the owner of the real assets, Health Care REIT and the balance of \$215,000 supplied as cash by Genesis. The budget estimate and sources for funds for the proposed project are outlined in the following table.

**Table 8: Project Budget Estimate - Uses and Sources of Funds
Proposed Replacement Building for College View**

| A. Uses of Funds | Cost Estimate |
|--|----------------------|
| Building | \$9,930,000 |
| Land Purchase | 2,520,000 |
| Site Preparation* | 1,050,000 |
| Architect/Engineering Fees | 350,000 |
| Permits | 100,000 |
| Subtotal | 13,950,000 |
| Major Movable Equipment | \$710,000 |
| Minor Movable Equipment | 710,000 |
| Contingencies** | 450,000 |
| Performance Bonds | 150,000 |
| Inspections | 20,000 |
| Survey | 10,000 |
| Appraisal & Feasibility | 60,000 |
| Developer Fees*** | 700,000 |
| Subtotal | 810,000 |
| Total-Current Capital Costs | \$16,760,000 |
| Capitalized Interest**** | 990,000 |
| Inflation***** | \$560,000 |
| Total Capital Costs | \$18,310,000 |
| Loan Placement Fee***** | \$190,000 |
| Legal Fees (CON related) | 40,000 |
| Legal Fees (Other) | 150,000 |
| CON Application Assistance | 25,000 |
| Subtotal-Financing and Other Cash | \$405,000 |
| Working Capital/ Startup Costs | 500,000 |
| Total Uses of Funds | \$19,215,000 |

| B. Sources of Funds | |
|-------------------------------|---------------------|
| Cash | \$215,000 |
| Mortgage | |
| Working Capital Loans | |
| Health Care REIT | 19,000,000 |
| Total Sources of Funds | \$19,215,000 |

Source: College View Center, DI #13, Exhibit 1

* includes normal site preparation (\$105,000), storm drains (\$131,000), rough grading (\$180,000), demolition and deforestation (\$10,000), site improvements (\$132,000), landscaping (\$151,000), roads (\$150,000), and utilities (\$191,000) (Source: DI #8, page 5)

**approximately five percent of the building and site preparation costs (Source: DI #8, page 6)

***The developer fee represents a market fee estimate of approximately four percent of the total building costs

****Interest calculated based on the total HealthCare REIT funded amount of \$18,010,000 at an annual interest rate of 9 percent for the 12 month construction period and assuming the 60 percent of the construction funding will be drawn down in the first four months (DI #8, page 6)

***** Inflation of \$560,000 calculated on total capital costs of \$16,760,000 per year over 20 months (DI #8, page 7)

*****HealthCare REIT's standards fee of 1% total funded amount (\$19,000,000) (DI #8, page 7)

Construction Cost

The following table summarizes an evaluation of the applicant's estimated construction cost, using the MVS guidelines.

**Table 9: MVS Construction Cost Analysis,
Proposed Addition Project Construction Cost Estimate**

| | New Building |
|---|---------------------|
| Building | 9,930,000 |
| Normal Site Preparation | 1,050,000 |
| Architect/Engineering Fees | 350,000 |
| Permits | 100,000 |
| Capitalized Construction Interest | 990,000 |
| Financing Fees | 190,000 |
| Total Project Costs | \$12,610,000 |
| Cost Adjustments | |
| Storm Drains | \$131,000 |
| Rough Grading | 180,000 |
| Demolition/Deforestation | 10,000 |
| Site Improvements | 132,000 |
| Landscaping | 151,000 |
| Roads | 150,000 |
| Utilities | 0 |
| Jurisdictional Hook-up Fees | 625,000 |
| Signs | 7,500 |
| Canopy | 72,000 |
| Adjustments Sub-total | \$1,458,500 |
| Associated A&E Fees | \$44,196 |
| Interest & Financing Fees * | \$530,623 |
| Total Adjustments | \$2,035,615 |
| Project Costs For MVS Comparison | \$10,574,385 |

| | |
|------------------------------|-----------------|
| Square Feet of Construction | 74,058 |
| Adjusted Project Cost Per SF | \$142.79 |
| MVS Cost/SF | \$147.47 |
| Over(Under) | (\$4.68) |

Source: College View CON Application and MHCC Staff Analysis

* Interest & financing fees multiplied by percent of total project costs that are not included in MVS costs

College View's construction cost estimates for the replacement project are within a reasonable range (five cents) of the MVS benchmark cost for such projects in this region.

Projections, Revenues and Expenses

College View projects an increase in admissions and a higher occupancy rate after the replacement building becomes available. This projection is based on population change and the view of the applicant that other area facilities have been beneficiaries of College View's outdated physical plant, in terms of ability to attract patients. Genesis states that College View lost 97 admission referrals to other Genesis centers in the 12-month period before April 30, 2012, tracked by a central Genesis phone referral system. The applicant also states that, during this time period, the closest other Genesis center, Glade Valley – also in Frederick County – admitted 216 residents from College View's primary service area, operated in excess of 97 percent occupancy, and turned away more than 130 referrals due to insufficient bed space. FMH is the largest referral source for both College View and Glade Valley (the closest Genesis comparison to the proposed project). In the 12-month period ending April 2012, admissions inquiries were also received from 21 other facilities (DI #13, page 5).

The existing College View campus has a 20-bed short term stay unit which remains full despite what the applicant considers "a challenged physical state," (DI #13, page 8). Genesis projected future need for the 56 TCU beds in the proposal – a 180 percent increase – based on the experience at Glade Valley and other similar Genesis centers in Maryland. These residents will be admitted for stays including treatment for congestive heart failure, post surgical wounds, rehabilitation for joint replacements and fractures, infections requiring IV antibiotics, motor vehicle accidents or personal violence, and morbid obesity.

The applicant states that it projects a shorter length of stay in the new center due to an anticipated higher overall Medicare mix. The applicant projects a payer mix that is similar to the current Glade Valley payer mix, including a decrease in the share of Medicaid patients and a higher share of Medicare admissions. The applicant rationalizes that Glade Valley has an Alzheimer/dementia unit in which residents are typically non-Medicare, so the proposed project is likely to see more Medicare patients than Glade Valley. Payer mix for Glade Valley, Frederick County nursing homes, and the proposed project are shown below:

Table 10: Glade Valley Payer Mix, FY 2012

| Payer Type | Glade Valley, FY 2011 | Frederick County, FY 2010 | Existing College View, FY 2011 | Proposed College View |
|-------------------|------------------------------|----------------------------------|---------------------------------------|------------------------------|
| Medicare | 27.8% | 16.8% | 15% | 39% |
| Medicaid | 45.7% | 55.8% | 73% | 45% |
| Private/Insurance | 26.5% | 27.5% | 11% | 17% |

| | | | | |
|-------|------|------|------|------|
| Total | 100% | 100% | 100% | 100% |
|-------|------|------|------|------|

Source: DI #8, pages 14 & 17

For FY 2014, College View projects the mix for Medicare patient days will increase to 39 percent, for commercial insurance to seven percent, and for self pay, 10 percent; conversely, the Medicaid is projected to decrease to 45 percent. The applicant projects the increase in Medicare days due to a trend toward an increasing number of referrals for short stay Medicare residents. As shown in the table below, College View projects the ability to reach profitability throughout the construction of the replacement facility at a payer mix of 39 percent Medicare patient days and 45 percent Medicaid days.

However, the applicant has assumed a high proportion of Medicare patients days compared to the existing facility and what is experienced in the county. The applicant provided an alternative performance projection more in line with the county average. Existing, original, and revised estimates are included in Table 11 below.

College View still projects the ability to reach profitability in the third year of operation of the replacement facility at a payer mix of 17 percent Medicare and 55 percent Medicaid. The primary expense reduction assumed under this scenario is a significant reduction in wages and salaries, contractual expenditures, and supplies.

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

Table 11: Projected Performance, College View Center Replacement

| | Actual | | Projected | Original projection with patient mix changes | | | Revised, using county average patient mix | | |
|---|---------------------|--------------------|---------------------|---|---------------------|---------------------|--|---------------------|---------------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2013 | 2014 | 2015 |
| Patient Projections | | | | | | | | | |
| Beds | 119 | 110 | 119 | 119 | 130 | 130 | 119 | 130 | 130 |
| Admissions | 346 | 420 | 384 | 384 | 561 | 588 | 384 | 420 | 432 |
| Patient Days | 36,672 | 34,772 | 36,696 | 36,696 | 43,705 | 44,165 | 36,696 | 43,705 | 44,165 |
| Average LOS | 106 | 83 | 96 | 96 | 78 | 75 | 96 | 104 | 102 |
| Avg. Annual Occ. Rate | 84.43% | 86.61% | 84.25% | 84.25% | 92.11% | 93.08% | 84.25% | 92.11% | 93.08% |
| Revenues and Expenses | | | | | | | | | |
| Inpatient revenue | \$10,002,874 | \$10,224,765 | \$10,455,040 | \$10,455,040 | \$15,701,241 | \$15,864,355 | \$10,455,040 | \$13,191,533 | \$13,383,241 |
| Bad Debt | \$169,116 | \$288,217 | \$146,371 | \$146,371 | 157012 | \$158,644 | \$146,371 | \$131,915 | \$133,832 |
| Net Operating Rev. | \$9,833,758 | \$9,936,548 | \$10,308,669 | \$10,308,669 | \$15,544,229 | \$15,705,711 | \$10,308,669 | \$13,059,618 | \$13,249,409 |
| Salaries, Wages | \$6,040,355 | \$5,829,705 | \$6,014,297 | \$6,014,297 | \$7,243,821 | \$7,243,821 | \$6,014,297 | \$7,037,606 | \$7,037,606 |
| Contractual Services | \$709,299 | \$787,727 | \$778,074 | \$778,074 | \$2,133,876 | \$2,154,112 | \$778,074 | \$1,022,593 | \$1,031,902 |
| Depreciation | \$173,566 | \$115,091 | \$86,195 | \$86,195 | - | - | \$86,195 | - | - |
| Supplies | \$1,553,693 | \$1,432,599 | \$1,373,952 | \$1,373,952 | \$2,173,426 | \$2,193,887 | \$1,373,952 | \$1,670,025 | \$1,676,145 |
| Other Expenses | \$2,008,670 | \$1,760,514 | \$1,746,239 | \$1,746,239 | \$3,352,674 | \$3,364,700 | \$1,746,239 | \$3,449,412 | \$3,461,964 |
| Operating Expenses | \$10,485,583 | \$9,925,636 | \$9,998,757 | \$9,998,757 | \$14,903,797 | \$14,956,520 | \$9,998,757 | \$13,179,636 | \$13,207,617 |
| Income | (\$651,825) | \$10,912 | \$309,912 | \$309,912 | \$640,432 | \$749,191 | \$309,912 | (\$120,018) | \$41,792 |
| Operating Margin | (6.63%) | 0.11% | 3.01% | 3.01% | 4.12% | 4.77% | 3.01% | (0.92%) | 0.32% |
| Per Patient Day Breakdown | | | | | | | | | |
| Gross Rev/Patient Day | \$272,766 | \$294,052 | \$284,910 | \$284,910 | \$359,255 | \$359,206 | \$284,910 | \$301,831 | \$303,028 |
| Net Rev/PD | \$268,154 | \$285,763 | \$280,921 | \$280,921 | \$355,662 | \$355,614 | \$280,921 | \$298,813 | \$299,998 |
| Expense/PD | \$285,929 | \$285,449 | \$272,475 | \$272,475 | \$341,009 | \$338,651 | \$272,475 | \$301,559 | \$299,052 |
| Operating Income/PD | (\$17.77) | \$0.31 | \$8.45 | \$8.45 | \$14.65 | \$16.96 | \$8.45 | (\$2.75) | \$0.95 |
| Assumed Payer Mix (Patient Days) | | | | | | | | | |
| Medicare | 14% | 15% | 14% | 14% | 39% | 39% | 14% | 16% | 17% |
| Medicaid | 74% | 73% | 75% | 75% | 45% | 45% | 75% | 57% | 55% |
| Commercial Insurance | 5% | 7% | 6% | 6% | 7% | 7% | 6% | 1% | 1% |
| Self Pay | 7% | 4% | 5% | 5% | 10% | 10% | 5% | 25% | 27% |
| Source: DI #8, Exhibits 3 & 4 | | | | | | | | | |

Impacts on Facility Charges to Residents

The applicant states that charges for private and semi-private rooms at College View will be slightly higher than existing charges, which will impact a small proportion of residents. For private rooms, College View will charge \$324 for private rooms and \$295 for semi-private rooms – compared to 2010 rates of \$236 for private rooms, \$232 for semi-private, and \$227 for the triple room (Long Term Care Survey, 2010). The expected Medicaid rates for the center are \$199.54 to \$300.65.

Impacts on Other Facilities

The applicant believes this project will have little impact on other providers or the cost and charges at other facilities. College View's new site will be 2.32 miles away from the existing site, in the same relative position within its existing primary service area. The average occupancy rate for the facilities in the primary service area is 92 percent and in Frederick County, 91 percent. Only two facilities in the primary service area (one being College View), operate at below 90 percent capacity. The other facility, Citizens Nursing Home, was an older building, which Citizens received a CON to replace in 2008. These replacements should improve the needed options for residents of Frederick County, based on the growth in patient days and steady occupancy rate in the County and PSA, as well as demographic projections (DI #3, page 60 & 61).

Staffing

College View projects the following staffing pattern and cost for its payroll employees with the proposed replacement and addition of 11 CCF beds to its facility. College View is unable to provide the number of contractual employees because these services – for example, rehabilitation – are contracted based on a specific service provided, not number of employees. The cost for contract services is included in Table 11. Overall staffing numbers are projected to increase 10 percent, compared to a similar bed number increase of 9 percent in the proposed project. The biggest change in staffing will be the 7.2 FTE increase in registered nurses – an increase of 69 percent more than the current staffing resources. College View proposes to decrease the number of maintenance staff needed. Following Staff's request to revise projection using the county's average payer mix, the applicant also submitted revisions reflected on the right hand side of the table.

Table 12: Projected FY 2014 & 2015 Staffing – Payroll Staff Employees Only
College View Center New Addition Project

| <i>Position</i> | Current FTEs | Projected | | | Revised using county averages | | |
|------------------------|---------------------|--------------------|-----------------------|-------------------|--------------------------------------|-----------------------|-------------------|
| | | Total FTEs* | Average Salary | Total Cost | Total FTEs* | Average Salary | Total Cost |
| Administration | | | | | | | |
| Administrator | 1.0 | 1.0 | \$135,490 | \$135,490 | 1.0 | \$135,490 | \$135,490 |
| Administrator Staffing | 7.4 | 8.7 | \$33,968 | \$294,392 | 8.7 | \$33,968 | \$294,392 |
| subtotal | 8.4 | 9.7 | | \$429,882 | 9.7 | | \$429,882 |
| Direct Care | | | | | | | |

| | | | | | | | |
|---------------------------|--------------|--------------|--------------|--------------------|--------------|----------|--------------------|
| Registered Nurses | 10.4 | 17.6 | \$80,418 | \$1,414,291 | 17.6 | \$80,418 | \$1,414,291 |
| Licensed Practical Nurses | 16.4 | 16.4 | 65,479 | \$1,073,856 | 13.6 | \$66,165 | \$899,842 |
| Aides | 40.2 | 46.2 | 33,023 | 1,525,675 | 47.6 | \$32,997 | \$1,570,677 |
| subtotal | 67.0 | 80.2 | | \$4,013,821 | 78.8 | | \$3,884,809 |
| Support | | | | - | | | |
| Nursing Adm Staff | 6.4 | 7.5 | \$52,357 | \$393,655 | 7.0 | \$50,830 | \$356,757 |
| Maintenance Staff | 2.5 | 2.0 | \$41,899 | \$83,798 | 2.0 | \$41,899 | \$83,798 |
| Dietary Staff | 13.6 | 13.9 | \$33,035 | \$458,085 | 13.9 | \$33,035 | \$458,085 |
| House Keeping | 9.4 | 10.0 | \$24,655 | \$246,791 | 10.0 | \$24,655 | \$246,719 |
| Laundry Staff | 2.8 | 3.0 | \$23,031 | \$69,094 | 3.0 | \$23,031 | \$69,094 |
| Activity/Rec Staff | 3.1 | 4.6 | \$43,833 | \$200,170 | 4.6 | \$43,833 | \$200,170 |
| Social Services Staff | 3.0 | 4.0 | \$46,146 | \$184,583 | 3.5 | \$47,660 | \$166,810 |
| subtotal | 40.8 | 45.0 | | \$1,636,103 | 44.0 | | \$1,581,433 |
| Total Wages | 116.2 | 134.9 | | \$6,079,806 | 132.4 | | \$5,896,124 |
| | | | Benefits | \$1,164,015 | | | \$1,141,482 |
| | | | TOTAL | \$7,243,821 | | | \$7,037,606 |

*Number of FTEs have been rounded to the first decimal point.
Source: DI #8, Exhibits 3 & 4

College View projects the following nurse staffing pattern for its nursing units. Following Staff's request to provide revised projections using the county's average payer mix, College View submitted revised projections shown on the right hand side of the table. Weekend and holiday staffing is the same as for week days.

Table 13: Nurse Staffing by Shift
College View Center

| | Original projected payer mix | | | Revised using county average payer mix | | |
|----------------------------|------------------------------|----------------|--------------|--|----------------|--------------|
| Long Term Care Unit | Day | Evening | Night | Day | Evening | Night |
| RN | 2.0 | 1.0 | - | 2.0 | 1.0 | - |
| LPN | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Aides | 7.0 | 5.0 | 4.0 | 7.0 | 5.0 | 4.0 |
| Temporary Care Unit | Day | Evening | Night | Day | Evening | Night |
| RN | 3.0 | 3.0 | 2.0 | 3.0 | 3.0 | 2.0 |
| LPN | 2.0 | 2.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| Aides | 7.0 | 5.0 | 4.0 | 7.0 | 6.0 | 4.0 |
| Total | Day | Evening | Night | Day | Evening | Night |
| RN | 5.0 | 4.0 | 2.0 | 5.0 | 4.0 | 2.0 |
| LPN | 4.0 | 4.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| Aides | 14.0 | 10.0 | 8.0 | 14.0 | 11.0 | 8.0 |

Source: DI #8, Exhibits 3 & 4

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 in either scenario. These staffing ratios are consistent with those required in COMAR 10.07.02.12, a minimum of two hours per bed per day.

College View will realize staffing efficiencies per 1,000 patient days using both the submitted and revised patient mix projections, as shown in the table below.

**Table 14: Current and Projected Staffing Efficiency
College View Center**

| | Actual FY 2011 | Proposed Project (Original) | Percent Change | Proposed Project (Revised Patient Mix) | Percent Change |
|-------------------------|---------------------------|--|---------------------------|---|---------------------------|
| Total FTEs | 116.2 | 134.9 | 16.1% | 132.5 | 14.0% |
| Admissions | 420 | 588 | 40.0% | 432 | 2.9% |
| Patient Days | 34,772 | 44,165 | 27.0% | 44,165 | 27.0% |
| FTEs/1,000 Admissions | 276.7 | 229.4 | -17.1% | 306.7 | 10.8% |
| FTEs/1,000 Patient Days | 3.3 | 3.1 | -6.1% | 3.0 | -9.1% |

Source: MHCC staff analysis of data from DI #8, Exhibits 3 & 4

Support for the Project

Frederick Memorial Hospital provided a letter of support for the proposed project. College View expects to purchase 11 CCF beds from this facility. A verbal agreement was made for this purchase, contingent upon CON approval. The CON application also included letters of support from FMH Home Health Services and MedOptions.

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 payer mix are within acceptable ranges. The applicant has demonstrated that it has support for the program from Frederick Memorial Hospital, from which it expects to transfer 11 CCF beds.

Staff recommends a finding that the project is 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.

College View has no previous CONs. Genesis facilities have received a number of CONs; its most recent CONs were for the expansion of Chesapeake Woods Center on the Eastern Shore in July 2012 and two nursing home replacement and relocation projects, in Anne Arundel and Prince George's County, in 2011 and 2012. MHCC records do not indicate that Genesis facilities in Maryland have failed to comply with 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 little impact on other providers within College View's PSA. Population projections submitted by the applicant show that the total population residing in the county and the PSA and SSA, as the segment of the population age 65 years and over, will experience an increase in the near future. The existing providers in the area have experienced relatively stable occupancy levels and increased utilization.

Staff believes that the project, if successful in the ways projected by Genesis, will boost its Medicare market share and reduce its Medicaid market share, with corresponding impact on other facilities in Frederick County. A new, attractive facility will obviously have this potential. However, such an impact would not be a reasonable basis for denying an opportunity to upgrade this facility, which is nearly 50 years old.

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 College View 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
COLLEGE VIEW CENTER
DOCKET NO. 12-10-2336

* BEFORE THE
*
* MARYLAND HEALTH
*
* CARE COMMISSION
*

FINAL ORDER

Based on Commission Staff's analysis and findings, it is this 20th day of December 2012,
ORDERED that:

The application for a Certificate of Need, submitted by Ballenger Center Drive and Carrier Lane Operations LLC formerly known as 700 Toll House Avenue Operations LLC, to construct a 130 bed replacement facility for College View Center, at an estimated cost of \$19,215,000, Docket No. 12-10-2336, be **APPROVED**, subject to the following condition:

At the time of first use review, College View 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

December 20 2012

APPENDIX A

Site Plan and Floor Plan

AREAS

MAIN FLOOR

A/C SPACE
PORTE COCHERE, PORCHES
TOTAL UNDER ROOF

58,316 SQ. FT.
1,550 SQ. FT.
60,866 SQ. FT.

BASEMENT

A/C SPACE
TOTAL BUILDING

14,546 SQ. FT.
76,412 SQ. FT.

BEDS

LTC

SEMI-PRIVATE 36 ROOMS X 2
PRIVATE LTC
TOTAL LTC

72 BEDS
2
74 BEDS

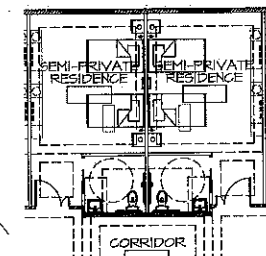
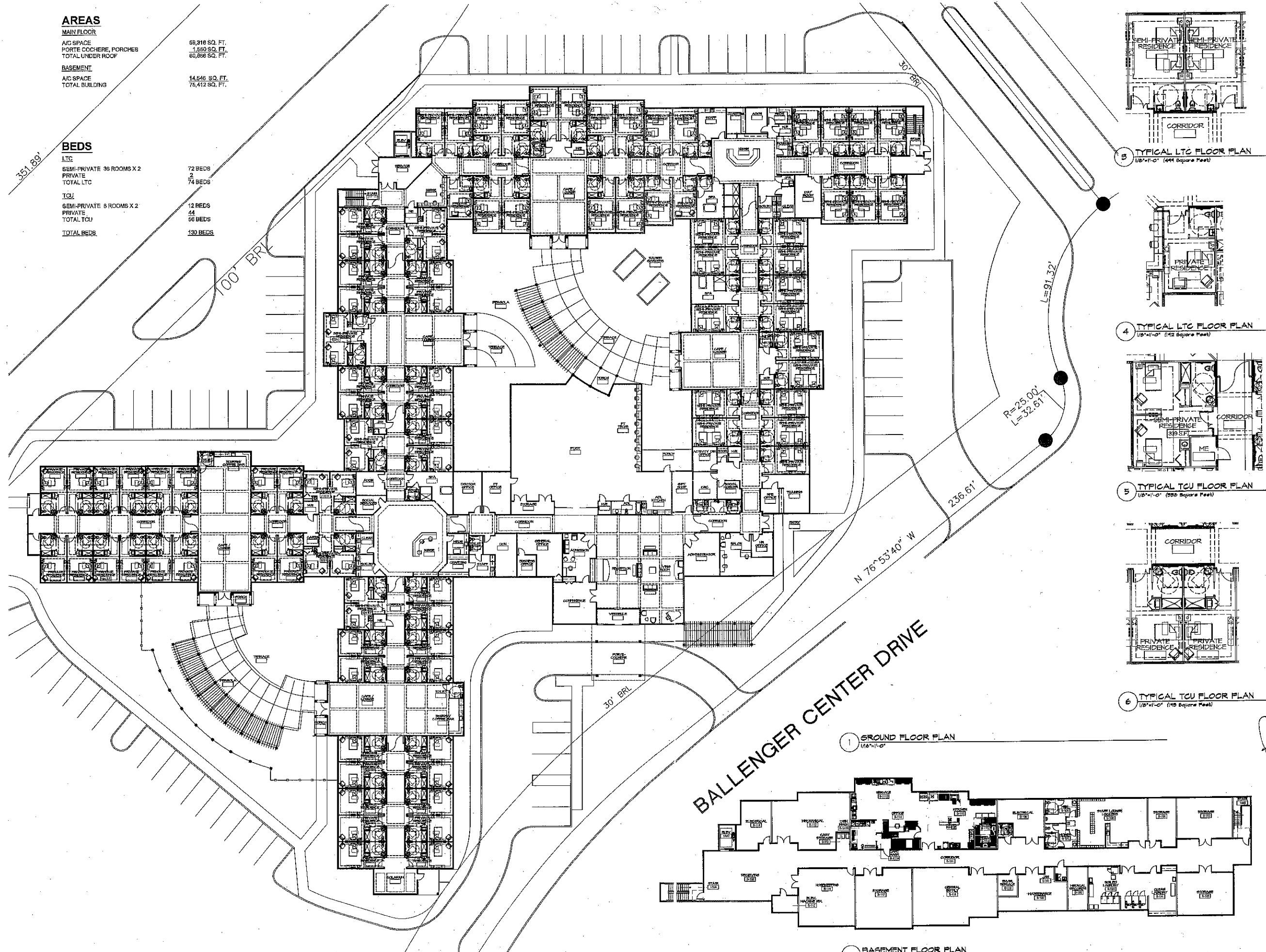
TCU

SEMI-PRIVATE 8 ROOMS X 2
PRIVATE
TOTAL TCU

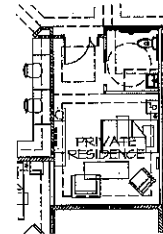
12 BEDS
44
56 BEDS

TOTAL BEDS

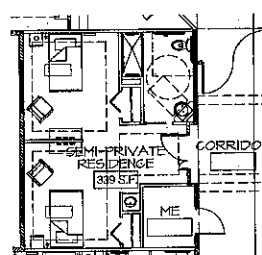
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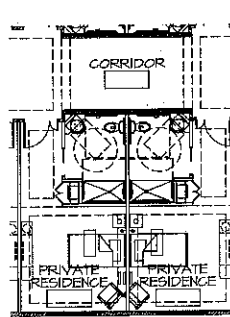
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1/8"=1'-0" (444 Square Feet)



4 TYPICAL LTC FLOOR PLAN
1/8"=1'-0" (142 Square Feet)



5 TYPICAL TCU FLOOR PLAN
1/8"=1'-0" (255 Square Feet)



6 TYPICAL TCU FLOOR PLAN
1/8"=1'-0" (145 Square Feet)

1 GROUND FLOOR PLAN
1/8"=1'-0"

2 BASEMENT FLOOR PLAN
1/8"=1'-0"

BORGLUND ASSOCIATES, LLC
ARCHITECTURE PLANNING URBAN DESIGN
Roland E. Borglund, P.A.
Cory L. Surber
100 WEST NANTUCKET ROAD, SUITE 1, LANTANA, FL 33462
TEL: (561) 854-1000 FAX: (561) 854-1001
WWW.BORGLUNDASSOCIATES.COM

BURRIS CONSTRUCTION CO.
8 EAST MAIN STREET
FREDERICK COUNTY, MARYLAND 21701
PHONE: (301) 459-6666 FAX: (301) 459-6667

A DESIGN / BUILD PROJECT BY BURRIS CONSTRUCTION COMPANY
Genesis Frederick Skilled Nursing Facility:
Section One, Plat Two, Lot 15
FREDERICK COUNTY, MARYLAND 21701

Borglund
JUL 02 2012

BASEMENT/
GROUND
FLOOR PLANS

REVISIONS:
4-2-12 Client Revisions
5-11-12 Porte Cochere Rev.
6-18-12 Elevation Submittal
7-2-12 Certificate of Need

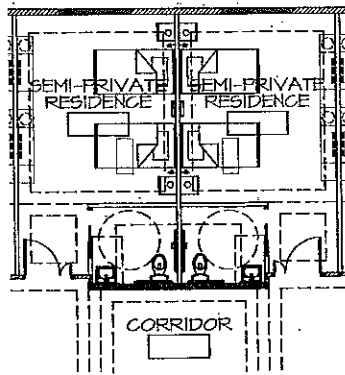
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DRAFTER: RMS
CHECKED BY: REB/CLS
JOB #:

A-1

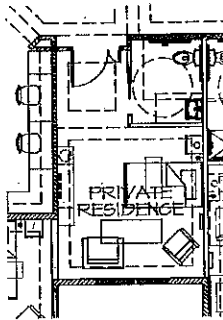
SHEET: 2 OF: 30
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APPENDIX B

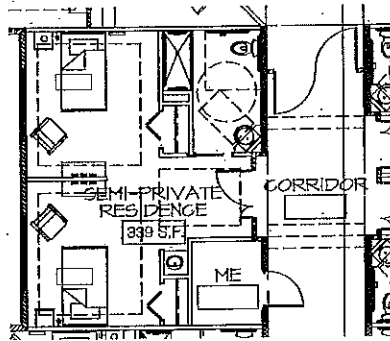
Room Plans



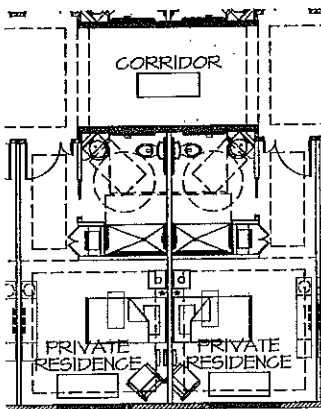
3 TYPICAL LTC FLOOR PLAN
1/8"=1'-0" (444 Square Feet)



4 TYPICAL LTC FLOOR PLAN
1/8"=1'-0" (192 Square Feet)



5 TYPICAL TCU FLOOR PLAN
1/8"=1'-0" (339 Square Feet)



6 TYPICAL TCU FLOOR PLAN
1/8"=1'-0" (193 Square Feet)

BORGLUND ASSOCIATES, LLC
ARCHITECTURE PLANNING URBAN DESIGN

Roland E. Borglund, R.A.
708 WEST MOUNTAIN ROAD, SUITE 1, LITTLE ROCK, AR 72205
TEL: (501) 747-0241 FAX: (501) 747-0242
WEB: BORGLUNDASSOCIATES.COM
Cory L. Surface
10000 LANTANA, AUSTIN, TEXAS 78754
TEL: (512) 336-0000 FAX: (512) 336-0001
WEB: CORYLSURFACEARCHITECTS.COM

BURRIS CONSTRUCTION CO.
8 EAST MAIN STREET
FREDERICK COUNTY, MARYLAND 21701

PHONE: (855) 439-6666 FAX: (855) 439-6647

A DESIGN / BUILD PROJECT BY: BURRIS CONSTRUCTION COMPANY
Genesis Frederick Skilled Nursing Facility:
Section One, Plat Two, Lot 15
FREDERICK COUNTY, MARYLAND 21701

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.