

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:** Kevin R. McDonald  
Chief, Certificate of Need 

**DATE:** February 16, 2017

**SUBJECT:** Lorien Life Center Howard II, Inc.  
Docket No. 16-13-2379

---

Enclosed is the staff report and recommendation for a Certificate of Need (“CON”) application filed by Lorien Life Center Howard II, Inc., d/b/a Lorien Nursing and Rehabilitation Center - Elkridge (“Lorien Elkridge”).

Lorien Elkridge is an existing 70 bed nursing home located at 7615 Washington Blvd., Elkridge, MD 21075. This project proposes to add 25 CCF beds and construct a three story building addition with minor renovations to the existing facility.

The total estimated cost of the project is \$5,457,500. Lorien expects to fund this project with a \$4.25 million mortgage loan, \$907,500 in cash, and a \$300,000 loan for fixtures, furnishings, and equipment.

Commission staff analyzed the proposed project’s compliance with the applicable State Health Plan criteria and standards and the other applicable CON review criteria at COMAR 10.24.01.08 and recommends that the project be APPROVED with the following conditions:

1. At the time of first use review, Lorien Elkridge shall provide the Commission with a modified Memorandum of Understanding with the Maryland Medical Assistance Program committing to maintain the minimum proportion of Medicaid patient days required by Nursing Home Standard COMAR 10.24.08.05A(2).
2. Lorien Elkridge shall meet and maintain the minimum proportion of Medicaid patient days required by Nursing Home Standard COMAR 10.24.08.05A(2).

**IN THE MATTER OF**  
**LORIEN LIFE CENTER**  
**HOWARD II, INC.**  
**DOCKET NO. 16-13-2379**

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

\*\*\*\*\*

**Staff Report and Recommendation**

**February 16, 2017**

**TABLE OF CONTENTS**

	<u>PAGE</u>
<b>I. INTRODUCTION.....</b>	<b>1</b>
A. The Applicant.....	1
B. The Project .....	1
C. Summary of Recommendation.....	2
<b>II. PROCEDURAL HISTORY .....</b>	<b>2</b>
A. Review of the Record.....	2
B. Local Government Review and Comment.....	3
C. Community Support .....	3
D. Interested Parties.....	3
<b>III. PROJECT CONSISTENCY WITH REVIEW CRITERIA AND STANDARDS..</b>	<b>3</b>
<b>A. COMAR 10.24.01.08G(3)(a) — THE STATE HEALTH PLAN.....</b>	<b>3</b>
<b>COMAR 10.24.08.05A: Nursing Homes Standards</b>	
1. Bed Need.....	3
2. Medical Assistance Participation .....	4
3. Community Based Services .....	6
4. Non-Elderly Residents .....	6
5. Appropriate Living Environment.....	6
6. Public Water.....	6
7. Facility and Unit Design .....	6
8. Disclosure .....	7
9. Collaborative Relationships.....	7
<b>.05B. New Construction or Expansion of Beds or Services.....</b>	<b>8</b>
1. Bed Need.....	8
2. Facility Occupancy .....	8
3. Jurisdictional Occupancy .....	9
4. Medical Assistance Program Participation .....	10
5. Quality.....	11
6. Location .....	14
<b>B. COMAR 10.24.01.08G(3)(b) - NEED.....</b>	<b>14</b>
<b>C. COMAR 10.24.01.08G(3)(c) - AVAILABILITY OF MORE     COST-EFFECTIVE ALTERNATIVES.....</b>	<b>15</b>
<b>D. COMAR 10.24.01.08G(3)(d) - VIABILITY OF THE PROPOSAL.....</b>	<b>16</b>
<b>E. COMAR 10.24.01.08G(3)(e) - COMPLIANCE WITH CONDITIONS     OF PREVIOUS CERTIFICATES OF NEED.....</b>	<b>19</b>

**F. COMAR 10.24.01.08G(3)(f)—IMPACT ON EXISTING PROVIDERS..... 19**

**IV. SUMMARY AND STAFF RECOMMENDATION.....20**

**FINAL ORDER.....**

**APPENDICES**

**Appendix I: Record of the Review**

**Appendix II: Excerpted CON Standards for Nursing Homes**

**Appendix III: MVS Analysis**

**Appendix IV: Revenue and Expense Budget Projections**

**Appendix V: Floor Plans**

## I. INTRODUCTION

### A. The Applicant

The applicant is Lorien Life Center Howard II, Inc., d/b/a Lorien Nursing and Rehabilitation Center – Elkridge (“Lorien Elkridge”). Lorien Elkridge is an existing 70-bed comprehensive care facility (“CCF”), or nursing home, located at 7615 Washington Boulevard in Elkridge, in Howard County.

Lorien-Elkridge is owned by ten members of the Mangione family, each of whom holds a 10% interest in the corporation. Members of the Mangione family hold controlling interests in multiple companies. One of those is Maryland Health Enterprises, doing business as Lorien Health Systems (“LHS”), which provides management services to Lorien Elkridge and other LHS facilities. Lorien Health Systems operates nursing and rehabilitation facilities in the counties of Baltimore, Carroll, Harford, and Howard. The associated facilities are listed in Table I-1.

**Table I-1: Lorien Nursing Home and Assisted Living Facilities**

Facility	Location	County	Nursing Home Beds	Assisted Living Units
Lorien Mays Chapel	Timonium	Baltimore	93	--
Lorien Taneytown	Taneytown	Carroll	63	52
Lorien Mt. Airy	Mt. Airy	Carroll	62	100
Lorien Bulle Rock	Havre de Grace	Harford	78	--
Lorien Riverside	Belcamp	Harford	127	--
Lorien Bel Air <sup>1</sup>	Bel Air	Harford	69	64
Lorien Harford <sup>2</sup>	Forest Hill	Harford	60	--
Lorien Elkridge	Elkridge	Howard	70	--
Lorien Columbia	Columbia	Howard	209	--
Harmony Hall	Columbia	Howard	--	265
Encore at Turf Valley	Ellicott City	Howard	63	94

Source: DI #5, p. 25.

The applicant’s quality record is mixed , meeting or exceeding the State’s average in nursing home performance on seven key selected quality measures, and ranking lower on six key selected quality measures. See Table III-4, *supra*, pp. 10-11 and accompanying text discussing the Quality standard. Lorien-Elkridge has received two CON approvals over the last ten years – in 2007 and in 2009. (DI #5, p. 77).

### B. The Project

Lorien Elkridge seeks to add 25 CCF beds projected as needed in Howard County in space that will be created by proposed new construction of a three-story, 19,727 square foot (“SF”) building addition, and renovation of 1,549 SF of existing space. A detailed description of the proposed work follows.

<sup>1</sup> Received CON approval (Docket No. 15-12-2358) to add 48 CCF beds on July 16, 2015, which when implemented will increase the size of the Bel Air facility to a total of 117 CCF beds.

<sup>2</sup> Received MHCC approval (Docket No. 15-12-2359) on June 18, 2015.

1. Ground Floor – Addition of 6,661 SF of unfinished open space for eventual use as storage and human resources space and renovation of 251 SF for a hallway where the proposed new addition will meet the existing facility
2. First Floor – Addition of 6,533 SF to the first floor nursing unit to create 15 private patient rooms, a lounge, a restroom, soiled utility space, janitorial space, a mechanical room, and a stairwell. In addition, 649 SF of the existing floor will be renovated where the new addition will connect to the existing facility (including the conversion of two patient rooms) to create a hallway, a new nurses' station, a medicine room, a pantry, and a utility room.
3. Second Floor – Addition of 6,533 SF to the second floor nursing unit to create 15 private patient rooms, a lounge, a restroom, soiled utility space, janitorial space, a mechanical room and a stairwell. In addition, 649 SF of existing space would be renovated at the connection of the new addition with the existing facility to support a hallway, a new nurses' station, a medicine room, a pantry, and a utility room.

The project will increase physical bed capacity from 70 to 95. The number of private patient rooms will increase from 12 to 39 and semi-private patient rooms will decrease from 29 to 28.

The estimated project cost is \$5,457,500. The applicant anticipates funding the project with a mortgage loan of \$4.25 million, \$907,500 in cash, and a \$300,000 loan for furniture, fixtures, and equipment.

### **C. Staff Recommendation**

Commission staff concludes that the proposed project is in compliance with the applicable criteria and standards in COMAR 10.24.08.01: The State Health Plan for Facilities and Services: Nursing Home and Home Health Agency Services and with the general criteria at COMAR 10.24.01.08G(3). Staff recommend **APPROVAL** with the following conditions:

1. At the time of first use review, Lorien Life Center Howard II, Inc. shall provide the Commission with a modified 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)(b).
2. Lorien Life Center Howard II, Inc. shall meet and maintain the minimum proportion of Medicaid patient days required by Nursing Home Standard COMAR 10.24.08.05A(2)

## **II. PROCEDURAL HISTORY**

### **A. Record of the Review**

Please see Appendix 1, Record of the Review.

**B. Local Government Review and Comment**

No comments were received regarding this project.

**C. Community Support**

The Maryland Health Care Commission received 11 letters of support for this nursing home expansion project. Nine letters were from residents of Howard County, and one was from Howard County Executive Allan K. Kittleman, who expressed, “strong support for Lorien Elkridge’s proposal...” (DI #5, Exh. 7). House of Delegates Health and Government Operations Committee Chair Peter Hammen and Co-Chair Shane Pendergrass stated in their letter of support that they “have a very strong interest in supporting the development of modern, well run health care facilities that meet the growing need of the elderly population efficiently and effectively... [and that they] hope that the MHCC will give favorable consideration to Lorien Elkridge’s Application.” (DI #5, Exh. 7).

**D. Interested Parties**

There are no interested parties in this review.

**III. PROJECT CONSISTENCY WITH REVIEW CRITERIA AND STANDARDS**

**A. The 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 chapter of the State Health Plan for this review is COMAR 10.24.08, the State Health Plan for Facilities and Services: Nursing Home Services. The specific standards to be addressed include COMAR 10.24.08.05A and .05B, the Nursing Home General Standards and Standards for New Construction of Expansion of Beds or Services for nursing home projects.

**COMAR 10.24.08.05 Nursing Home Standards**

*.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 a letter of intent for the application will be the need projection applicable to the review.*



Lorien Elkridge submitted its letter of intent on August 4, 2016 to submit a CON application to construct a three-story addition and add 25 CCF beds to its existing facility. At that time, the MHCC need projections reflected a need for 105 CCF beds in Howard County, as shown in Table III-1, below.

**Table III-1: CCF Bed Need Projections for Howard County**

Licensed Beds	Bed Inventory as of January 31, 2016				Projected Need in 2016			
	Temporarily Delicensed Beds	CON Approved Beds	Waiver Beds	Total Bed Inventory	Gross Bed Need Projection	Unadjusted Bed Need	Community-Based Services Adjustment	2016 Net Bed Need
564	28	10	0	602	734	132	27	105

Source: MHCC Gross and Net 2016 updated bed need projections for Nursing Home Beds in Maryland. *Maryland Register* (April 29, 2016).

**(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 .05A 2(b) of this Chapter.*

Consistent with paragraph (a), Lorien Elkridge has an executed Memorandum of Understanding with the Medical Assistance Program (“Medicaid”) that requires the facility to provide a specified proportion of Medicaid days of nursing facility care. (DI #5, p. 36).

*(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 Maryland 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.*

Consistent with sub-part (b) of this standard, the most recent data available regarding payment source (from the 2015 MHCC Long Term Care Survey) shows that Lorien Elkridge provided 53.1% of patient-days to Medicaid patients in 2015. (DI #5, p. 36). The current minimum Medicaid participation rate is 47.3% in Central Maryland and 45.9% in Howard County.

*(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.*

Consistent with paragraph (c) of this standard, Lorien Elkridge has agreed to continue to admit Medicaid residents in sufficient numbers to maintain the level of participation required. The applicant projected that the proposed 95-bed CCF will have a Medicaid participation rate of 57.6%, 57.5%, and 57.5% respectively for the first three years after project completion. (DI #5, p. 36).

- (d) *Prior to licensure, an applicant shall execute a written Memorandum of Understanding with the Medical 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 also agreed to execute a modified MOU with the Medicaid program covering all beds prior to pre-licensing, or first use approval. (DI #5, p. 36).

Given Lorien Elkridge's past performance and agreements to continue to conform with this standard, staff recommends that any approval of this project be issued with the following conditions:

1. At the time of first use review, Lorien Life Center Howard II, Inc. shall provide the Commission with a modified Memorandum of Understanding with the Maryland Medical Assistance Program agreeing to provide at least the minimum proportion of Medicaid patient days required by Nursing Home Standard COMAR 10.24.08.05A(2) for all of Lorien Elkridge's licensed CCF beds, and shall maintain compliance with the Memorandum of Understanding.
2. Lorien Life Center Howard II, Inc. shall meet and maintain the minimum proportion of Medicaid patient days required by Nursing Home Standard COMAR 10.24.08.05A(2).

**Standards 10.24.08.05(3) Community-Based Services, .05(4) Nonelderly Residents, 0.5(5) Appropriate Living Environment, 0.5(6) Public Water**

Among the remaining applicable standards are several that prescribe policies, facility features, and staffing and/or service requirements that an applicant must meet, or agree to meet prior to first use. Staff has reviewed the CON application and confirmed that the applicant provided sufficient information and affirmations that demonstrate full compliance with the following standards:

- .05(3) Community based services
- .05(4) Nonelderly Residents
- .05(5) Appropriate Living Environment
- .05(6) Public Water

Staff has concluded that the proposed project meets the requirements of these standards. The applicant:

- Is in compliance with the community based services requirement and provided a copy of the alternative community based services information disbursed to prospective residents.

- Provides in-service staff training on problems faced by nonelderly residents and stated that discharge planning is initiated immediately following admissions with the goal of minimizing stay to 90 days or less.
- States that all patient rooms will be single or double occupancy, each with its own temperature controls and no more than two residents will share a toilet and shower.
- Is currently and will continue to be served by Howard County's public water system.

The text of these standards and the locations within the application where compliance is documented, can be found in Appendix II.

(3) **Community-Based Services** (See Appendix II)

(4) **Nonelderly Residents** (See Appendix II)

(5) **Appropriate Living Environment** (See Appendix II)

(6) **Public Water** (See Appendix II)

(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;*

Lorien Elkridge is an existing facility that provides care to both short-stay and long-stay residents of different acuity levels. Lorien Elkridge maintained that the design of the facility resulting from this proposed project will enhance resident care through improved monitoring and observation in the nursing units.

The first floor, which will be resized and expanded, is designated for short-stay rehabilitation patients. Physical bed capacity on the first floor will increase from 26 beds to 35 beds and from six private and 10 semi-private rooms to 23 private and six semi-private rooms. (DI #5, pp. 39-40).

The second floor, which will also be resized and expanded, is designated for lower acuity, long-stay residents. The floor will be divided into two nursing units, one of 45 beds and one of 15 beds. The long-stay patients will include residents diagnosed with one of the following conditions: chronic respiratory illness; Alzheimer's with acute coexisting conditions; patients requiring intensive infection control and management of nosocomial infections; bariatric patients requiring size-appropriate furnishings and equipment; patients requiring aggressive bedside physical and occupational therapy support; and patients who require extensive support through therapeutic recreation to manage their psychological needs. (DI #5, pp. 40-42).

While the facility does not operate a discrete Alzheimer's Care Unit, both Alzheimer's and Alzheimer's disease-related dementia residents will reside within the group cluster of rooms near

the nursing stations. The applicant expects the design of this new three-story addition, as well as the re-configuration of existing space and activity areas, to create a therapeutic environment that will assist in stimulating and enhancing the patients' cognitive status. The three nursing stations will serve, 15, 35, and 45 beds respectively, allowing staff to be closer to and better able to observe, interact, and provide security to patients. (DI #5, pp. 40-42).

Staff recommends that the Commission find this standard is met.

***(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;***

The applicant cited Nursing Home Design, Cliff Arnold, ezinearticles.com, , and Nursing Home, Robert F. Carr, NIA Technologies, Inc. for Veterans Affairs Office of Facilities Management, [http://www.wbdg.org/design/nursing\\_home.php](http://www.wbdg.org/design/nursing_home.php), as literature used to develop the design features for Lorien Elkridge. (DI #5, p. 42).

The applicant has demonstrated compliance 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.***

The applicant stated that none of the “principals have pleaded guilty to or been convicted of a criminal offense in any way connected with the ownership, development, or management of a healthcare facility.” (DI #5, p. 43).

The applicant complies with this 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.***

Lorien Elkridge provided a list of providers with which it currently has collaborative relationships that it will continue. The relationships address: adult day care; home health; on-site geropsychiatric services; skilled nursing; assisted living; and hospital (with inpatient psychiatric services). (DI #5, p. 43).

The applicant has met 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.*

Although the proposed project involves the expansion of beds and certain services through a combination of new construction and renovation, it does not utilize beds currently in the Commission's inventory, rendering this standard inapplicable. (DI #5, p. 44).

*(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 application does not request relocation of an existing facility, rendering this standard not applicable.

See discussion regarding Need under the heading: **OTHER CERTIFICATE OF NEED REVIEW CRITERIA**, *infra* p. 13.

**(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.*

Over the past two reporting periods, fiscal years 2014 and 2015, Lorien Elkridge maintained an average bed occupancy rate of 91% (see Table III-2 below), thus meeting this standard. (DI #5, p. 45).

**Table III-2: Lorien Elkridge Occupancy and Rate Data, FYs 2014-2015**

	FY2014	FY2015
Total Inpatient Days	22,401	23,061
Bed Days Available	24,410	25,550 <sup>3</sup>
<b>Percent Occupancy<sup>4</sup></b>	<b>91.8%</b>	<b>90.3%</b>

Source: DI #5, Exh. 3

**(3) Jurisdictional Occupancy**

*(a) The Commission may approve a CON application for a new nursing home only if the average jurisdictional occupancy for all nursing homes in that jurisdiction equals or exceeds a 90 percent occupancy level for at least the most recent 12 month period, as shown in the Medicaid Cost Reports for 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 is not proposing a new nursing home; therefore, the standard does not apply. However, it should be noted that occupancy rates for facilities in the jurisdiction have been relatively strong over the past two years. (See Table III-3 below) Only Lorien Columbia, among freestanding nursing homes (i.e., excluding Vantage House Retirement Community), experienced an average annual occupancy rate below 90% in FY 2015. The average annual occupancy rate of freestanding nursing homes in Howard County was 90.8% in FY 2015.

**Table III-3: Howard County Nursing Homes Occupancy Rates, FY2010-FY2015**

Facility Name	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015 (unaudited)
Ellicott City Healthcare Center	84.4%	91.9%	84.2%	76.1%	89.7%	91.2%
Encore at Turf Valley	45.9%	78.6%	90.6%	90.4%	94.2%	94.4%
Lorien Nursing & Rehabilitation Center - Elkridge <sup>5</sup>			28.5%	74.3%	91.8%	90.3%
Lorien Nursing & Rehabilitation Center - Columbia	92.1%	91.7%	91.1%	89.3%	92.1%	89.6%
Vantage House Retirement Community (CCRC)	64.9%	63.8%	67.9%	65.1%	68.2%	68.3%
Howard County (total)	83%	87.6%	83.1%	81.7%	89.7%	89.1%

<sup>3</sup> Bed days available increased in FY2015 due to seven additional beds coming online

<sup>5</sup> Lorien Elkridge opened July 10, 2012

Nursing Homes Only (excludes Vantage House)	84.9%	89.9%	84.5%	83.2%	91.5%	90.8%
Maryland	89.2%	88.9%	88.5%	87.8%	89.7%	91.1%

Sources: MHCC 2013 Long Term Care Survey, 2013 Nursing Home Bed Inventory Records, Maryland Medical Assistance Program, 2013 cost reports; MHCC 2014 Long Term Care Survey, 2014 Nursing Home Bed Inventory Records, Maryland Medical Assistance Program, 2014 cost reports; MHCC 2015 Long Term Care Survey, 2015 Nursing Home Bed Inventory Records, Maryland Medical Assistance Program, unaudited 2015 cost reports

**(4) Medical Assistance Program Participation**

Paragraphs (a) and (b) of this standard are not applicable to this CON application.

*(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 its Certificate of Need.*

Lorien Elkridge currently participates in the Medicaid program, has a Memorandum of Understanding in place with Medicaid specifying its required level of participation, and projects that the facility will have a 58.3% Medicaid rate in 2016, exceeding the current minimum required level.

*(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 participation rate.*

Upon approval of this application, Lorien Elkridge “agrees to execute a modified MOU covering all of its beds as part of its request for First Use Review...” (DI #5, p. 46). As stated earlier, staff concludes that the application is consistent with this standard, and recommends that approval of this application be conditioned on documentation that a modified MOU (i.e., applying to all beds) is in place when the project is complete and first use approval is requested. The proposed conditions follow:

1. At the time of first use review, Lorien Life Center Howard II, Inc. shall provide the Commission with a modified Memorandum of Understanding with the Maryland Medical Assistance Program agreeing to provide at least the minimum proportion of Medicaid patient days required by Nursing Home Standard COMAR 10.24.08.05A(2) for all of Lorien Elkridge’s licensed CCF beds, and shall maintain compliance with the Memorandum of Understanding.
2. Lorien Life Center Howard II, Inc. shall meet and maintain the minimum proportion of Medicaid patient days required by Nursing Home Standard COMAR 10.24.08.05A(2).

**(5) Quality**

***An applicant for expansion of an existing facility must demonstrate that it has no outstanding Level G or higher deficiencies, and that it maintains a demonstrated program of quality assurance.***

The applicant provided a letter from Lorien Health System's Chief Operating Officer stating that the facility has no Level G deficiencies. The applicant also submitted a copy of Lorien's Quality Assurance Program Table of Contents. (DI #5, App. 4).

Table III-4 below provides a summary of select quality measures that MHCC staff considers to be among the most important, extracted from surveys conducted by CMS and OHCQ that are listed in MHCC's Consumer Guide to Long Term Care, for all of the facilities under the management of Lorien Health Systems. It also shows how the Lorien facilities' performance compared to statewide averages.



Table III-4: Summary of Lorien Health System Nursing Homes Quality Measures

Quality Measure	Maryland Average	Elkridge	Mays Chapel	Taneytown	Mt. Airy	Bulle Rock	Riverside	Bel Air	Columbia	Encore at Turf Valley
<b>Falls</b>										
Long-stay residents that did not fall and sustain a major injury	97%	97%	97%	100%	95%	98%	98%	95%	97%	98%
<b>Pain</b>										
Long-stay residents who do not report moderate to severe pain.	93%	92%	93%	91%	95%	76%	90%	81%	98%	99%
Short stay residents who did not have moderate to severe pain.	86%	79%	87%	88%	75%	56%	84%	71%	78%	93%
<b>Pressure ulcers</b>										
High risk long stay residents without pressure sores.	93%	96%	91%	99%	90%	95%	89%	90%	87%	98%
Short stay residents that did not develop new pressure ulcers or with pressure ulcers that stayed the same or got better.	99%	99%	99%	99%	98%	100%	99%	98%	99%	99%
<b>Vaccinations</b>										
Long stay residents assessed and given influenza vaccination during the flu season.	95%	91%	87%	100%	100%	70%	99%	92%	97%	100%
Short stay residents assessed and given influenza vaccination during the flu season.	83%	41%	90%	98%	90%	44%	88%	92%	87%	83%
Nursing home staff receiving influenza vaccination during flu season (2015-2016).	87.6%	91.2%	92%	97.9%	96.7%	96.8%	95.7%	98.4%	96.6%	100%
<b>Restraints</b>										

Percent of long-stay residents who were not physically restrained.	99%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
<b>Deficiencies</b>												
Number of Health deficiencies cited in the most recent annual OHCQ health inspection (2015-2016).	10.4	11	6	4	8	8	5	5	5	5	5	2
<b>Resident/Family Satisfaction Survey Results</b> (2015 Long Stay and Short Stay Surveys)												
The rating of overall care provided in the nursing home – long term residents. (2015) (1 being worst care and 10 the best care.)	8.1	9.5	8.3	9.2	9.3	7.5	8.9	9	8.3	8.1	8.3	8.1
The rating of overall care received from the nursing home staff, overall – short stay residents. (1 being worst care and 10 the best care.)	7.8	7.4	7.3	9.4	9.3	7.7	8.7	8.1	6.9	8.1	6.9	8.1
Percentage of long term residents/family who responded "Yes" to "Would you recommend the Nursing Home?"	86%	95%	93%	100%	100%	79%	98%	96%	92%	96%	92%	86%
Percentage of short stay residents/family who responded "Yes" to "Would you recommend the Nursing Home to others?"	79%	67%	85%	100%	100%	87%	83%	82%	82%	82%	82%	88%

Source: CMS Nursing Home Compare, data collected 08/08/2012 – 04/28/2016. Downloaded 08/01/2016. Updated 11/03/2016

Lorien Elkridge exceeded or matched the Maryland average on seven of the 13 Quality Measures. The facility rated materially lower than the statewide average on the Quality Measures with regard to pain experienced by short stay patient and the influenza vaccination rate of such patients. The most recent number of survey deficiencies was just above the State average and Lorien Elkridge had mixed patient and family satisfaction scores.

Staff recommends that the Commission find that the applicant meets this standard. Beyond the narrow specific requirements of this standard, Lorien Health System's and Lorien-Elkridge's quality of care and patient/family satisfaction track record is acceptable.

**(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.*

Lorien Elkridge does not propose to relocate its current facility; this standard is not applicable. (DI #5, p. 47).

**OTHER CERTIFICATE OF NEED REVIEW CRITERIA**

The project's compliance with the five remaining general review criteria in the regulations governing Certificate of Need is outlined below:

**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.*

The application comports with the applicable bed need analysis

The applicable 2016 bed need projections for nursing home beds (corrected and updated) published in the April 29, 2016 *Maryland Register* identified a need for 105 additional CCF beds in Howard County. Lorien Elkridge's proposed project will address some of that identified need. (DI #5, p. 49).

Occupancy rates of Howard County providers has increased since 2013

According the 2015 MHCC Long Term Care Survey, the occupancy rate in Howard County has risen 7.4 percentage points over the last two fiscal years (2013-2015). In FY2013, the aggregate CCF bed occupancy rate in Howard County was low, at 81.7%. The occupancy rate rose to 89.7% in FY2014 and held at 89.1% in FY2015. Lorien Elkridge experienced occupancy rates of 91.8% in FY2014 and 90.3% in FY2015, its fourth and fifth years of operation. (DI #5, p. 50).

Population projections show growth in the 65 and older population

Population projections published by the Maryland Department of Planning in July 2014, forecast that the overall population in Howard County will increase from 287,085 in 2010, to 357,103 by 2030, a growth projection well in excess of the 14.5% growth projected for Maryland overall. For the over-65 age group, the growth rate is much higher – from 29,045 in 2010 to 72,045 in 2030 – an increase of 149%. Statewide, the elderly population is projected to grow 84% over this period.

The need for additional beds projected by MHCC is primarily based on population growth and aging. Adding 25 CCF beds at Lorien Elkridge is reasonable, given its success in filling beds during its short time operating in Howard County and the overall use of bed capacity recently observed in the jurisdiction.

Staff concludes that the project is consistent with the applicable need analysis in the State Health Plan.

### **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.*

There were no other applicants in this review cycle.

The applicant stated that the impetus for this project is to increase the number of private (single occupancy) rooms at Lorien Elkridge and meet a portion of Howard County's existing bed need. The applicant identified one alternative for meeting the proposed project's objective, converting existing semi-private double occupancy rooms to private rooms. This "strawman" option would reduce physical bed capacity from 70 to 41, obviously negating and contradicting the applicant's expansion goals. The applicant stated that this proposed project is a cost-effective alternative because it would provide better economies of scale at the facility while enhancing patient choices by increasing the number of private rooms available in the facility and, thus, in Howard County. (DI #5, p. 56).

Staff compared the applicant's estimated cost of constructing the nursing home addition to a benchmark cost based on the Marshall Valuation Service ("MVS") guidelines for building construction. The applicant's estimated project cost for MVS comparison is \$192.05/SF. (DI #5, pp. 57-60). This is 1.8% below the comparable MVS benchmark calculated by Staff. See Appendix IV for a more detailed explanation of the MVS analysis and Commission staff's MVS review of the applicant's construction cost analysis.

Staff concludes that the proposed three-story addition with 25 new CCF beds is a cost effective and practical alternative for meeting the applicant's goals and helping to meet the need for additional nursing home beds in Howard County.

## 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.*

### Availability of Resources Necessary to Implement the Project

The total estimated cost of constructing the proposed 21,276 SF addition is \$5,457,500. The total project budget is shown below in Table III-6.

**Table III-6: Project Budget Estimate – Uses and Sources of Funds**

<b>A. Uses of Funds</b>	
<b>New Construction</b>	
Land Purchased/Donated	\$ 500,000
Building	3,000,000
Fixed Equipment	400,000
Site Preparation	200,000
Architect/Engineering Fees	250,000
Permits	75,000
<b>Subtotal – New Construction</b>	<b>\$ 4,425,000</b>
<b>Renovations</b>	
Building	\$ 105,000
Fixed Equipment	15,000
Site Preparation	-
Architect/Engineering Fees	-
Permits	-
<b>Subtotal – Renovations</b>	<b>\$ 120,000</b>
<b>Other Capital Costs</b>	
Moveable Equipment	\$ 300,000
Contingencies	100,000
Interest	69,125
<b>Subtotal – Other Capital Costs</b>	<b>\$ 469,125</b>
<b>TOTAL CAPITAL COSTS</b>	<b>\$ 5,014,125</b>
<b>Financing and Other Cash Requirements</b>	
Loan Placement Fees	\$ 42,500
Legal Fees	30,000
Non-Legal Consultant Fees	12,500
Other – Legal CON	25,000
<b>Subtotal – Non Current Capital Costs</b>	<b>\$ 110,000</b>
<b>TOTAL USES OF FUNDS</b>	<b>\$ 5,457,500</b>
<b>B. Sources of Funds</b>	
Cash	\$ 907,500
Mortgage	4,250,000
Other – FFE loan	300,000
<b>TOTAL SOURCES OF FUNDS</b>	<b>\$ 5,457,500</b>

Source: DI #5, p. 21

Lorien Elkridge will fund the project with approximately \$907,500 in cash, a \$4,250,000 mortgage loan and a \$300,000 fixture, financing, and equipment loan. To document the applicant's

ability to fund the project, its CPA, Michael Snarski, provided an opinion that the Mangione family has the financial resources and assets available to provide the equity contribution and the equipment loan requirements for this project. (DI #5, Exh. 5). The applicant also provided a letter from Christian J. Beach, Administrative Vice President at M&T Bank, indicating an existing relationship with the Mangione family and interest in considering a construction loan for this project, should it receive CON approval. (DI #5, Exh. 5). These two documents indicate that Lorien Elkridge has the resources to meet its expected cash contribution and has found a commercial bank to provide financing for the construction of the three-story addition to Lorien Elkridge. The principals involved in this project have successfully implemented new nursing home development and expansion projects in recent years.

Availability of Resources Necessary to Sustain the Project

Finances

A summary of the Projected Revenue and Expense Statement is provided below. A detailed statement showing the historical and projected financial performance for Lorien Elkridge is provided in Appendix IV.

**Table III-7: Lorien Elkridge Historic and Projected Financial Performance (\$000s)**

Revenue	Actual		Projected			
	2014	2015	2016	20x1	20x2	20x3
Net Operating Revenue	\$7,683	\$8,064	\$8,040	\$10,198	\$10,936	\$10,936
Total Operating Expenses	\$7,934	\$7,676	\$7,776	\$10,148	\$10,597	\$10,592
Net Income (loss)	\$(251)	\$388	\$264	\$50	\$339	\$344

Source: DI #5, p. 66

Table III-8 below contains the key utilization and operating statistics for Lorien Elkridge both before and after the project's completion.

**Table III-8: Lorien Elkridge Historical and Projected Utilization and Operational Statistics**

Nursing Home	2014	2015	2016	20x1	20x2	20x3
Licensed Beds	67	70	70	95	95	95
Admissions	439	395	408	528	558	558
Patient Days	22,401	23,061	23,241	29,691	31,842	31,842
Bed Occupancy Rate	91.8%	90.3%	90.7%	85.6%	91.8%	91.8%
<b>Payer Mix (by Patient Days)</b>						
Medicare	23.4%*	28.0%*	28.8%	28.5%	28.5%	28.5%
Medicaid	51.0%*	53.1%*	58.3%	57.6%	57.5%	57.5%
Commercial Insurance	5.6%	6.9%	3.5%	3.7%	3.7%	3.7%
Self-Pay	11.0%	12.0%	9.5%	10.2%	10.3%	10.3%
Gross Revenue/ Patient Day	\$346.37	\$353.37	\$350.63	\$348.05	\$348.03	\$348.03
Net Revenue/Patient Day	\$342.98	\$349.68	\$345.94	\$343.47	\$343.45	\$343.45
Expense/Patient Day	\$354.18	\$332.86	\$334.58	\$341.47	\$332.80	\$332.64
Operating Margin/Patient Day	\$(11.20)	\$16.82	\$11.36	\$1.68	\$10.65	\$10.80

Source: \*MHCC Long Term Care Annual Survey; DI #5, pp. 53 & 67

Lorien projects that the facility will maintain profitability throughout the period during which the proposed addition will be implemented and operation of the larger facility is initiated. The applicant projects that the 95-bed CCF would have a Medicaid participation rate of 57.6% upon completion of the first year of operation and 57.5% for each of the second and third years of

operation. These rates would exceed the required 47.3% Medicaid participation rate that MHCC reported for Howard County in FY 2014. (DI #5, pp. 53 & 67).

### Staffing

The applicant expects to hire a total of 25.2 additional full time employees at a total cost of \$1,252,646 in salaries and benefits and expects to hire 7.2 additional contractual staff at a cost of \$505,337. Therefore, the total cost of staffing the 95 CCF beds will be \$6,556,294 for the first full year of operation. The applicant does not anticipate having any difficulty in recruiting staff and has extensive experience in staff recruitment in Howard County. (DI #5, p. 74).

Table III-9 displays the projected nurse staffing by shift. The applicant stated that it will have a direct care staffing schedule that will deliver an overall average ratio of 3.6 nursing hours per bed across the facility throughout the week. These staffing ratios exceed the minimum of two nursing hours per-bed-per-day required by COMAR 10.07.02.12. (DI #5, pp. 75-76).

**Table III-9: Lorien Elkridge Projected Nurse Staffing by Shift**

All beds Staff Category	Weekday Hours Per Day				Weekend Hours Per Day				
	Day	Evening	Night	Total	Day	Evening	Night	Total	
Registered Nurses	20.0	20.0	20.0	60.0	20.0	20.0	20.0	60.0	
LPNs	20.0	20.0	8.0	48.0	20.0	20.0	8.0	48.0	
Unit Mgr/Super-RN	8.0	7.2	-	15.2	14.0	10.0	-	24.0	
CNAs	75.0	67.5	45.0	187.5	75.0	67.5	45.0	187.5	
Medicine Aides	16.0	4.0	-	20.0	16.0	4.0	-	20.0	
<b>Total</b>	<b>139.0</b>	<b>118.7</b>	<b>73.0</b>	<b>330.7</b>	<b>145.0</b>	<b>121.5</b>	<b>73.0</b>	<b>339.5</b>	
<b>Licensed Beds at Project Completion</b>				95	<b>Licensed Beds at Project Completion</b>				95
<b>Hours of Bedside Care per Licensed Bed Per Day</b>				3.48	<b>Hours of Bedside Care per Licensed Bed Per Day</b>				3.57
Ward Clerks (bedside care time calculated at 50%)	8.0			8.0					
Total Including 50% of Ward Clerks Time	147.0	118.7	73.0	338.7	145.0	121.5	73.0	339.5	
<b>Total Hours of Bedside Care per Licensed Bed Per Day</b>				3.57	<b>Total Hours of Bedside Care per Licensed Bed Per Day</b>				3.57

Source: DI #5, pp. 75-76

Staff concludes that the applicant has demonstrated that it can obtain the resources necessary for project development. Staff believes the projections of positive performance for the expanded facility are based on reasonable assumptions related to utilization, revenues, expenses,

staffing and payor mix. For these reasons, staff concludes that the applicant will have sufficient resources to sustain the operation of the new facility. 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.*

Lorien Elkridge has received two CON approvals, the first (Docket No. 06-13-2185) was for the establishment of Lorien Elkridge and the second (Docket No. 08-13-2246) was for the addition of four beds. Both applications were approved with conditions to: (1) provide the Commission with a copy of the Medicaid MOU, (2) provide a copy of the facility's transfer and referral agreements, and (3) not develop or use any rooms with more than two beds per room.

During development of the initial project, the applicant submitted two modifications, the first to remove the proposed assisted living facility units from the initial project due to the recession, making Lorien Elkridge a freestanding CCF (modification approved February 2010). The second modification changed the financing to American Recovery and Reinvestment Act-funded Recovery Zone Facility Bonds (modification approved December 2010). All three conditions were met and the Commission granted first use approval on April 18, 2012. (DI #5, pp. 77-79).

Lorien Elkridge has met the MOU's requirement in the most recent four years for which data is available.

**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 stated that this project will not have any impact on occupancy rates or financial performance of other CCFs in Howard County, because: (1) 105 beds are projected by the Commission as needed in Howard County and the proposed addition of 25 beds is only a 4.2 increase in CCF beds in the County; and (2) the Maryland Department of Planning for Howard County projects that, between 2015 and 2020,<sup>6</sup> the 65 and older age cohort will experience a 27.8% projected growth.

---

<sup>6</sup> Maryland Office of Planning (July 2014).



Staff agrees with the reasons stated by the applicant and concludes that the addition of these 25 nursing home beds will not have a negative impact on other providers in Howard County or the health care delivery system. Staff recommends that the Commission find that the applicant is consistent with this criterion.

#### **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 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 conditions:

1. At the time of first use review, Lorien Life Center Howard II, Inc. shall provide the Commission with a modified Memorandum of Understanding with the Maryland Medical Assistance Program agreeing to provide at least the minimum proportion of Medicaid patient days required by Nursing Home Standard COMAR 10.24.08.05A(2) for all of Lorien Elkridge's licensed CCF beds, and shall maintain compliance with the Memorandum of Understanding.
2. Lorien Life Center Howard II, Inc. shall meet and maintain the minimum proportion of Medicaid patient days required by Nursing Home Standard COMAR 10.24.08.05A(2).

IN THE MATTER OF  
LORIEN LIFE CENTER  
HOWARD II, INC.  
DOCKET NO. 16-13-2379

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

\*\*\*\*\*

**FINAL ORDER**

Based on the analysis and findings contained in the Staff Recommended Decision, it is this 16<sup>th</sup> day of February, 2017, **ORDERED:**

That the application by Lorien Elkridge for a Certificate of Need to add 25 CCF beds through the new construction of a three story, 19,727 square foot addition and 1,549 square feet of renovation to its facility located at 7615 Washington Blvd., Elkridge, Maryland 21075, at a cost of \$5,457,500 is **APPROVED**, subject to the following conditions:

1. At the time of first use review, Lorien Life Center Howard II, Inc. shall provide the Commission with a modified Memorandum of Understanding with the Maryland Medical Assistance Program agreeing to provide at least the minimum proportion of Medicaid patient days required by Nursing Home Standard COMAR 10.24.08.05A(2) for all of Lorien Elkridge's licensed CCF beds, and shall maintain compliance with the Memorandum of Understanding.
2. Lorien Life Center Howard II, Inc. shall meet and maintain the minimum proportion of Medicaid patient days required by Nursing Home Standard COMAR 10.24.08.05A(2).

**Maryland Health Care Commission**

**APPENDIX I**

**Record of the Review**

### Record of the Review

Item #	Correspondence File	Date
1	Commission staff acknowledged receipt of Letter of Intent.	6/3/16
2	Commission staff received withdrawal of Letter of Intent.	7/8/16
3	Commission staff acknowledged receipt of modified Letter of Intent.	8/4/16
4	Commission staff received a letter of support from Delegates Hammen and Pendergrass.	8/2/16
5	The applicant filed its Certificate of Need application.	8/5/16
6	Commission staff acknowledged receipt of application.	8/8/16
7	Commission staff requested that <i>The Baltimore Sun</i> publish notice of receipt of application.	8/9/16
8	Commission staff requested that the <i>Maryland Register</i> publish notice of receipt of application.	8/9/16
9	Notice of receipt of application as published in <i>The Baltimore Sun</i> .	8/18/16
10	Commission staff received inquiry from applicant's counsel regarding completeness review questions.	8/26/16
11	Following completeness review, Commission staff requested additional information.	8/30/16
12	Commission staff received responses to additional information request.	9/8/16
13	Commission staff notified the applicant of formal state of review of application effective 10/28/16.	10/7/16
14	Commission staff requested that <i>The Baltimore Sun</i> publish notice of formal start of review.	10/7/16
15	Commission staff requested that the <i>Maryland Register</i> publish notice of formal start of review.	10/7/16
16	Request made for comments from the Local Health Planning Department on the CON application.	10/7/16
17	Notice of formal state of review of application as published in the <i>Baltimore Sun</i> .	10/20/16

## **Appendix II**

### **Excerpted CON standards for Nursing Homes**

**Excerpted CON standards for Nursing  
From State Health Plan Chapter 10.24.08**

Each of these standards prescribes policies, services, staffing, or facility features necessary for CON approval that MHCC staff have determined the applicant has met. Bolding added for emphasis. Also included are references to where in the application or completeness correspondence the documentation can be found.

<b><u>STANDARD</u></b>	<b><u>APPLICATION REFERENCE (Docket Item #)</u></b>
<p><b><u>.05(3) Community-Based Services</u></b>            An applicant shall demonstrate commitment to providing community-based appropriate for each resident by:</p> <ul style="list-style-type: none"> <li>(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 waiver programs and other initiatives to promote care in the most appropriate settings.</li> <li>(b) Initiating discharge planning on admission; and</li> <li>(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.</li> </ul>	<p>DI#12, Appendix 8            DI#5, p.36            DI#5, p.37</p>
<p><b><u>.05(4) Nonelderly Residents</u></b>            An applicant shall address the needs of its nonelderly (&lt;65 year old) residents by:</p> <ul style="list-style-type: none"> <li>(a) Training in the psychosocial problems facing nonelderly disabled residents; and</li> <li>(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.</li> </ul>	<p>DI#5, Appendix 2            DI#5, p. 37</p>
<p><b><u>.05(5) Appropriate Living Environment</u></b>            An applicant shall provide to each resident an appropriate living environment, including, but not limited to:</p> <ul style="list-style-type: none"> <li>(b) In a renovation project:               <ul style="list-style-type: none"> <li>(i) Reduce the number of patient rooms with more than two residents per room;</li> <li>(ii) Provide individual temperature controls in renovated rooms; and</li> <li>(iii) Reduce the number of patient rooms where more than two residents share a toilet.</li> </ul> </li> </ul>	<p>DI#5, p. 38            DI#5, Appendix 1</p>
<p><b><u>.05(6) Public Water</u></b>            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.</p>	<p>DI#5, p.39</p>

**Appendix III:**  
**MVS ANALYSIS**

## MARSHALL VALUATION SERVICE REVIEW

### The Marshall Valuation System – what it is, how it works

In order to compare the cost of a proposed construction project to that of similar projects as part of a cost-effectiveness analysis, a benchmark cost is typically developed using the Marshall Valuation Service (“MVS”). MVS cost data 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.

The base cost reported in the MVS guide are based on the actual final costs to the owner and include all material and labor costs, contractor overhead and profit, average architect and engineering fees, nominal building permit costs, and processing fees or service charges and normal interest on building funds during construction. It also includes: normal site preparation costs including grading and excavation for foundations and backfill for the structure; and utilities from the plot line to the structure figured for typical setbacks.

The MVS costs do not include costs of buying or assembling land, piling or hillside foundations (these can be priced separately), furnishings and fixtures not found in a general contract, general contingency set aside for some unknown future event such as anticipated labor and material cost increases. Also not included in the base MVS costs are site improvements such as signs, landscaping, paving, walls, and site lighting. Offsite costs such as roads, utilities, and jurisdictional hook-up fees are also excluded from the base costs.<sup>7</sup>

MVS allows staff to develop a benchmark cost using the relevant construction characteristics of the proposed project and the calculator section of the MVS guide.

In developing the MVS benchmark costs for a particular nursing home project the base costs are adjusted for a variety of factors using MVS adjustments such as including an add-on for sprinkler systems, the presence or absence of elevators, number of building stories, the height per story, and the shape of the building (the relationship of floor area to perimeter). The base cost is also adjusted to the latest month and the locality of the construction project.

---

<sup>7</sup> Marshall Valuation Service Guidelines, Section 1, p. 3 (January 2016).



## Applying MVS to this project

In its application for the proposed project, the Applicant classified the construction as Class C, Good quality. The following table presents staff's calculation of a benchmark cost per square foot for a comparable building in terms of class, quality, size, perimeter, and wall height using the MVS guidelines and Applicant's data as presented in the application.

### MVS Construction Cost Analysis Proposed Cost for Lorien Elkridge

	Lorien Elkridge
<b>Class</b>	<b>Class C</b>
<b>Type</b>	Good
<b>Square Footage</b>	19,727
<b>Perimeter (linear ft)</b>	333
<b>Avg. Wall Height (ft)</b>	11.84
<b>Stories</b>	3.0
<b>Average Area Per Floor</b>	6,576
<b>Net Base Cost</b>	\$ 185.03
<b>Elevator Add-on</b>	0
<b>Adjusted Base Cost</b>	\$ 185.03
<b>Perimeter Multiplier</b>	0.98
<b>Height Multiplier</b>	0.99
<b>Multi-story Multiplier</b>	1
<b>Composite Multiplier</b>	.098
<b>Refined Base Square Foot Cost</b>	\$ 180.43
<b>Sprinkler Add-on</b>	\$ 3.85
<b>Final Base Cost Per Square Foot</b>	\$ 184.28
<b>Current Cost Modifier</b>	1.04
<b>Local Multiplier</b>	1.02
<b>CC &amp; Local Multipliers</b>	1.06
<b>MVS Building Cost Per Square Foot</b>	\$ 195.48

Sources: DI #5, pp.57-60, and MHCC Staff Analysis.

The comparison of the MVS benchmark cost per square foot to the estimated costs of the proposed project are detailed in the following table.

**MVS Construction Cost Analysis  
Proposed Cost for Lorien Elkridge**

<b>Cost of New Addition</b>	
Building	3,000,000
Fixed Equipment	400,000
Site Preparation	200,000
Architect/Engineering	250,000
Permits	75,000
<b>Total Project Costs</b>	<b>\$3,925,000</b>
<b>Cost Adjustments</b>	
Demolition	20,000
Storm Drains	20,000
Rough Grading	60,000
Roads	35,000
Utilities	15,000
Jurisdictional Hook-up Fees	15,000
Signs	10,000
Landscaping	10,000
Canopy	15,000
<b>Total Adjustments</b>	<b>\$ 200,000</b>
A&E Adjustment for Cost Adjustment	\$ 13,889
<b>Project Costs for MVS Comparison</b>	<b>\$3,711,111</b>
<b>Finance Costs for MVS Comparison</b>	<b>\$ 77,497</b>
<b>Total Costs for MVS Comparison</b>	<b>\$3,788,609</b>
Square Feet of Construction	19,727
Adjusted Project Cost per SF	\$ 192.05
MVS Cost/SF	\$ 95.48
<b>Over(Under)</b>	<b>(\$3.43)</b>

Source: DI #5, pp. 57-60 and MHCC Staff Analysis

Staff calculates the Applicant's estimated construction cost to be \$192.05 per square foot, or about 1.8%, below the Marshall Valuation Service benchmark for the proposed project.

**Appendix IV:**  
**Revenue and Expense Budget Projections**

Dollar amounts in thousands (\$000)	Actuals		Current	Projected		
	2014	2015	2016	20X1	20X2	20X3
Inpatient Services	7,759	8,155	8,149	10,334	11,082	11,082
Allowance for Bad Debt	111	121	143	176	188	188
<b>Net Revenues</b>	<b>7,648</b>	<b>8,034</b>	<b>8,006</b>	<b>10,158</b>	<b>10,894</b>	<b>10,894</b>
Other Operating Revenues	35	30	34	40	42	42
<b>Net Operating Revenues</b>	<b>\$ 7,683</b>	<b>\$ 8,064</b>	<b>\$ 8,040</b>	<b>\$ 10,198</b>	<b>\$ 10,936</b>	<b>\$ 10,936</b>
Salaries, Wages, Etc.	3,632	3,256	3,232	4,326	4,485	4,485
Contractual Services	1,213	1,418	1,566	1,945	2,071	2,071
Interest on Current Debt	212	206	204	198	196	194
Interest on Project Debt				153	150	147
Current Depreciation	601	564	562	562	562	562
Project Depreciation				144	144	144
Project Amortization				22	22	22
Supplies	903	789	766	984	1,057	1,057
Other Expenses	1,373	1,443	1,446	1,814	1,910	1,910
<b>Total Operating Expenses</b>	<b>\$ 7,934</b>	<b>\$ 7,676</b>	<b>\$ 7,776</b>	<b>\$ 10,148</b>	<b>\$ 10,597</b>	<b>\$ 10,592</b>
<b>Income from Operation</b>	<b>(251)</b>	<b>388</b>	<b>264</b>	<b>50</b>	<b>339</b>	<b>344</b>

Source: DI #5, p.66

**Appendix V:**

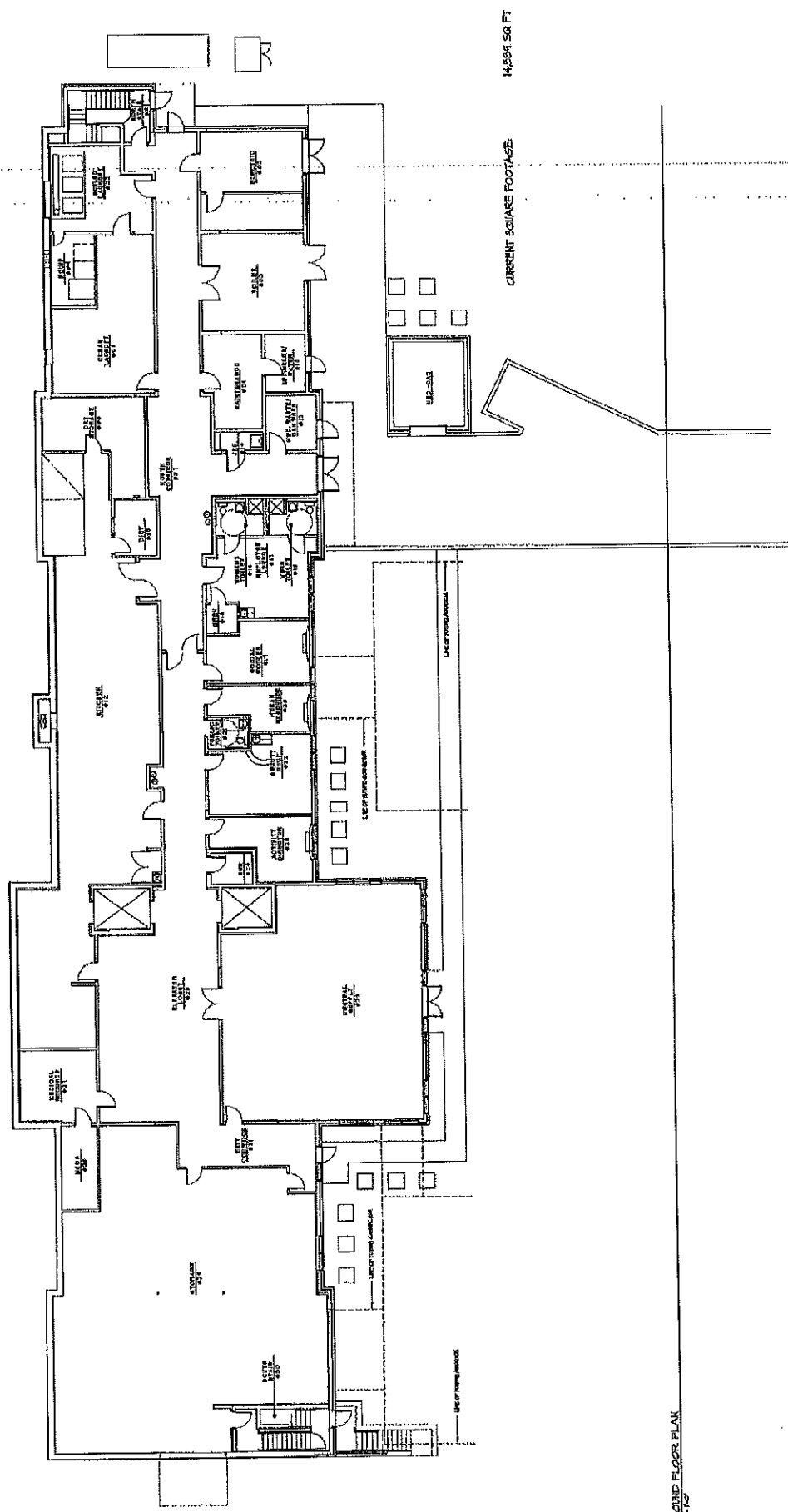
**Floor Plans**

# Lorien Nursing - Elkridge Addition

7615 Washington Blvd  
Elkridge, Maryland 21076

EXISTING  
GROUND  
FLOOR  
PLAN

A11



DATE: 10/15/10  
 DRAWN BY: [Name]  
 CHECKED BY: [Name]  
 PROJECT NO: [Number]  
 SHEET NO: [Number]



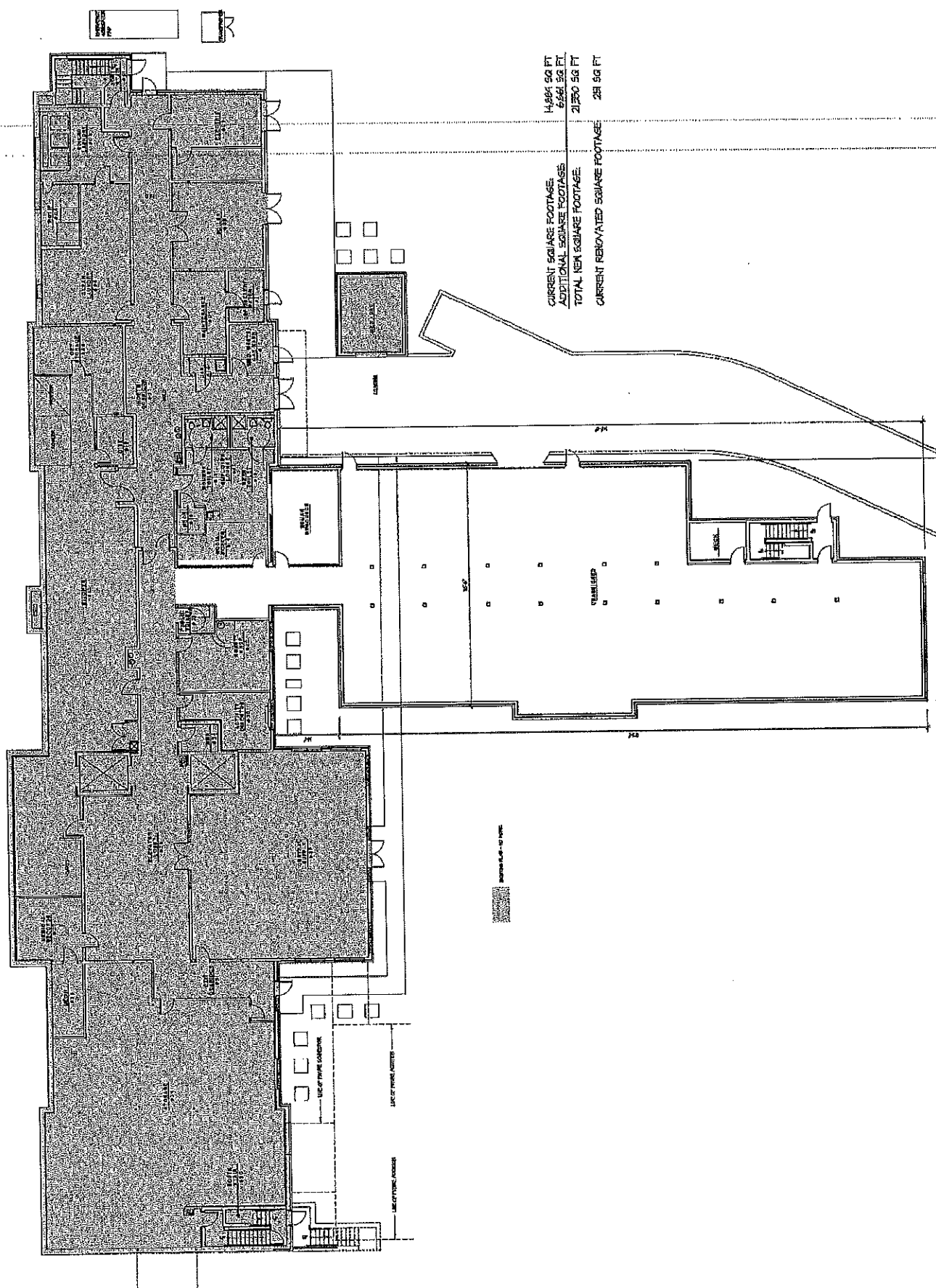
GROUND FLOOR PLAN  
10/15/10

PROPOSED GROUND LEVEL

# Lorren Nursing - Elkridge Addition

7615 Washington Blvd  
Elkridge, Maryland 21076

PROJECT: LORREN NURSING  
 ARCHITECT: JAC  
 2700 W. HIGHTWAY  
 SUITE 100  
 ELKBRIDGE, MARYLAND 21076  
 PHONE: (410) 326-1111  
 FAX: (410) 326-1112



CURRENT SQUARE FOOTAGE	14,884 SQ FT
ADDITIONAL SQUARE FOOTAGE	6,641 SQ FT
TOTAL NEW SQUARE FOOTAGE	21,525 SQ FT
CURRENT RENOVATED SQUARE FOOTAGE	281 SQ FT

REVISIONS TO THIS PLAN

DATE OF PREVIOUS EDITION

REVISIONS

DATE OF PREVIOUS EDITION

REVISIONS



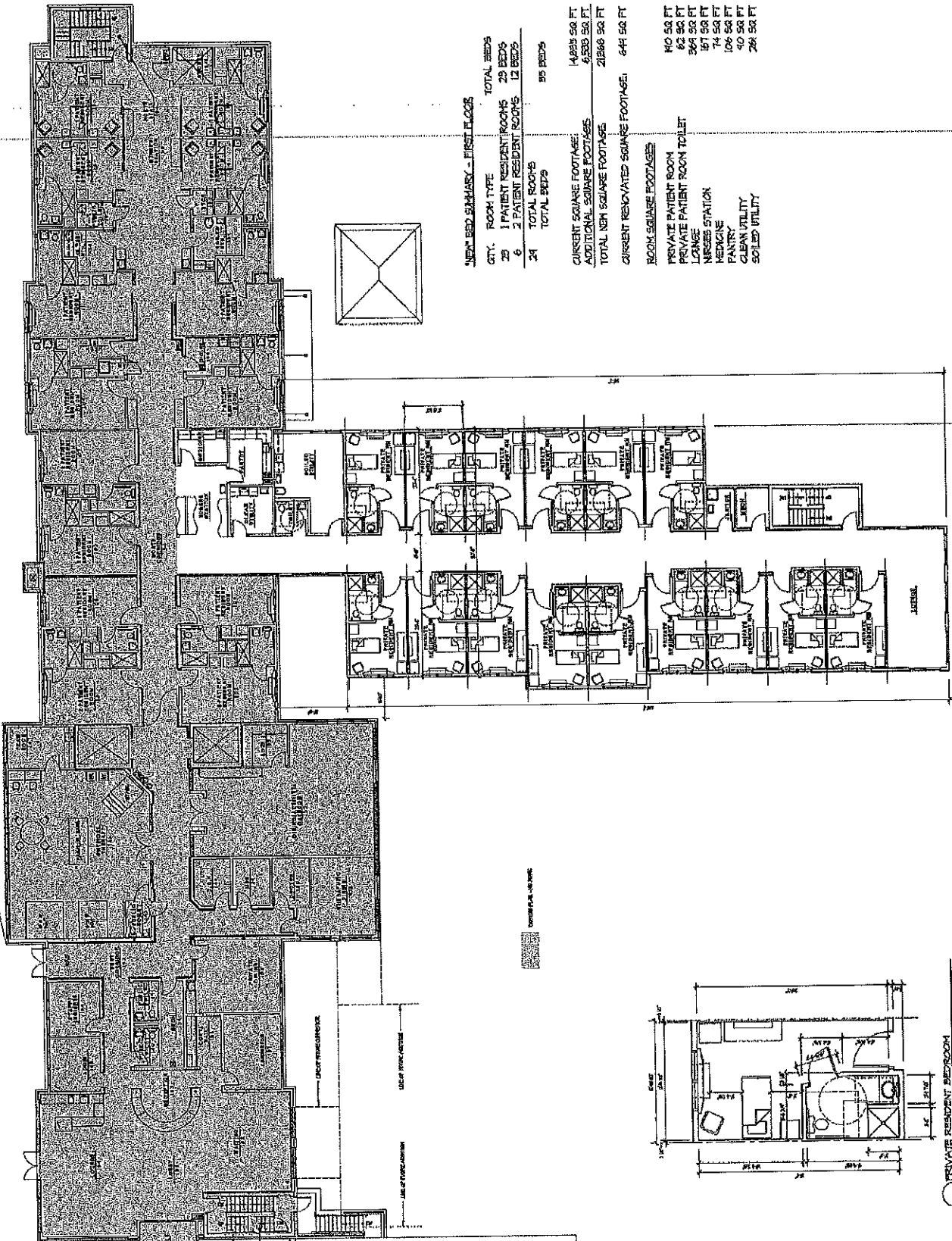


# Lorren Nursing - Elkridge Addition

7816 Washington Blvd  
Elkridge, Maryland 21076

PROPOSED  
FIRST  
LEVEL

DATE: JULY 25, 2006  
SCALE: 1/8" = 1'-0"  
SHEET: A15



**NEW BED SUMMARY - FIRST FLOOR**

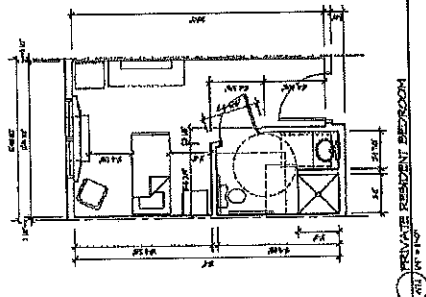
QTY.	ROOM TYPE	TOTAL BEDS
29	1 PATIENT RESIDENT ROOMS	29 BEDS
6	2 PATIENT RESIDENT ROOMS	12 BEDS
24	TOTAL ROOMS	41 BEDS

CURRENT SQUARE FOOTAGE:	14285 SQ. FT.
ADDITIONAL SQUARE FOOTAGE:	6353 SQ. FT.
TOTAL NEW SQUARE FOOTAGE:	20638 SQ. FT.
CURRENT RENOVATED SQUARE FOOTAGE:	644 SQ. FT.

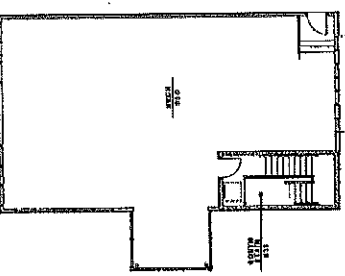
  

ROOM SQUARE FOOTAGES	ROOM SQUARE FOOTAGES
PRIVATE PATIENT ROOM	160 SQ. FT.
PRIVATE PATIENT ROOM TOILET	62 SQ. FT.
LOUNGE	364 SQ. FT.
NURSES STATION	167 SQ. FT.
RECEPTION	74 SQ. FT.
PHARMACY	106 SQ. FT.
CLEAN UTILITY	40 SQ. FT.
SOILED UTILITY	28 SQ. FT.

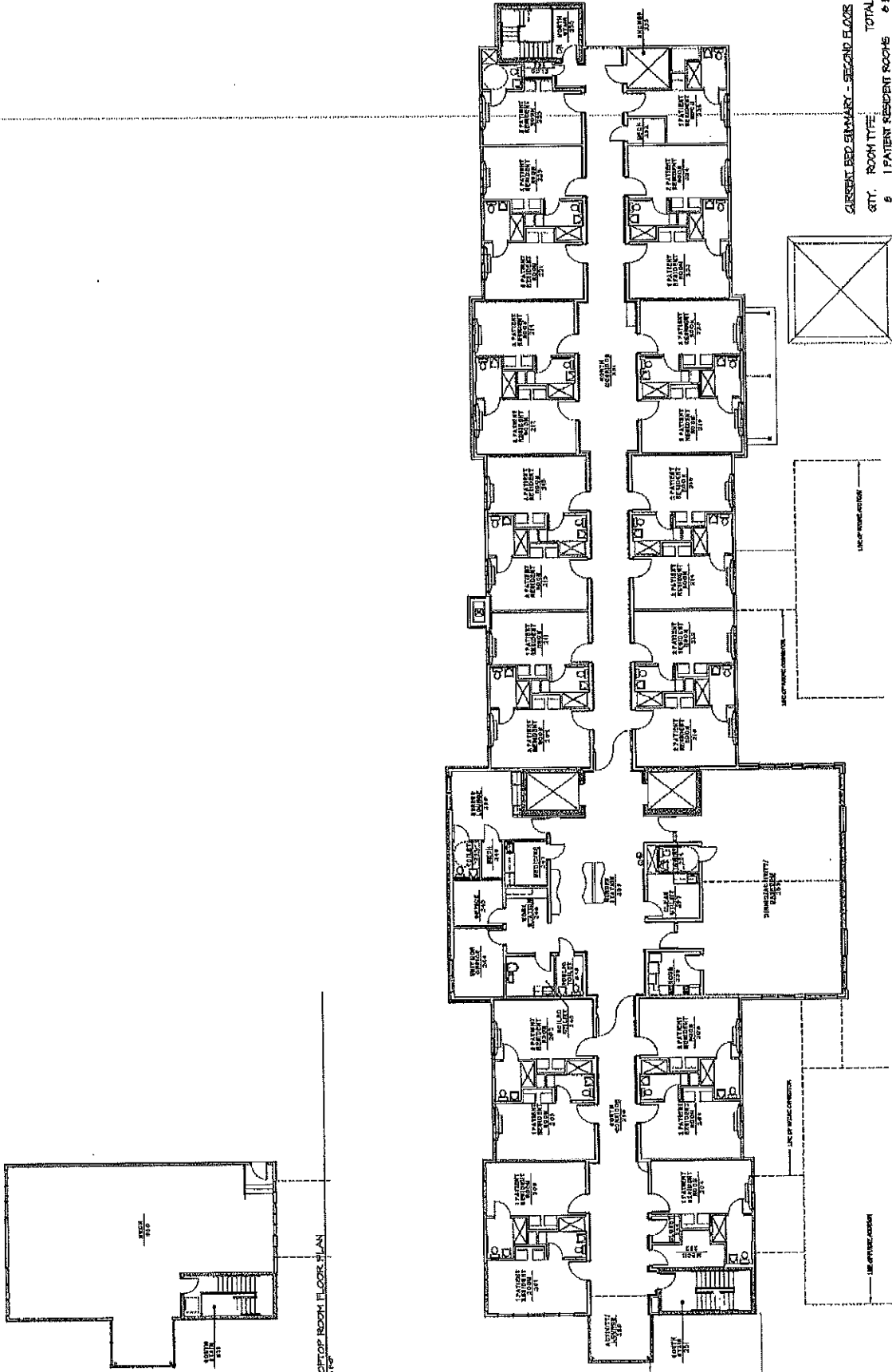


PRIVATE RESIDENT BEDROOM

NO.	DATE	REVISION
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		



2 ROOFTOP ROOM FLOOR PLAN  
1/2" = 1'-0"



CURRENT BED SCHEDULE - SECOND FLOOR

QTY.	ROOM TYPE	TOTAL BEDS
6	1 PATIENT RESIDENT ROOMS	6 BEDS
14	2 PATIENT RESIDENT ROOMS	28 BEDS
26	TOTAL ROOMS	44 BEDS

CURRENT SQUARE FOOTAGE 14743 SQ FT  
CURRENT ROOFTOP ROOM SQUARE FOOTAGE 1495 SQ FT

1 SECOND FLOOR PLAN  
1/2" = 1'-0"

# Lorven Nursing - Elkridge Addition

7815 Washington Blvd  
Elkridge, Maryland 21076

Project No. 1000000000  
Contract No. 1000000000  
Drawing No. 1000000000  
Revision No. 1000000000  
Date: 10/10/2010  
By: 1000000000  
Checked: 1000000000  
Title: 1000000000

EXISTING SECOND FLOOR PLAN

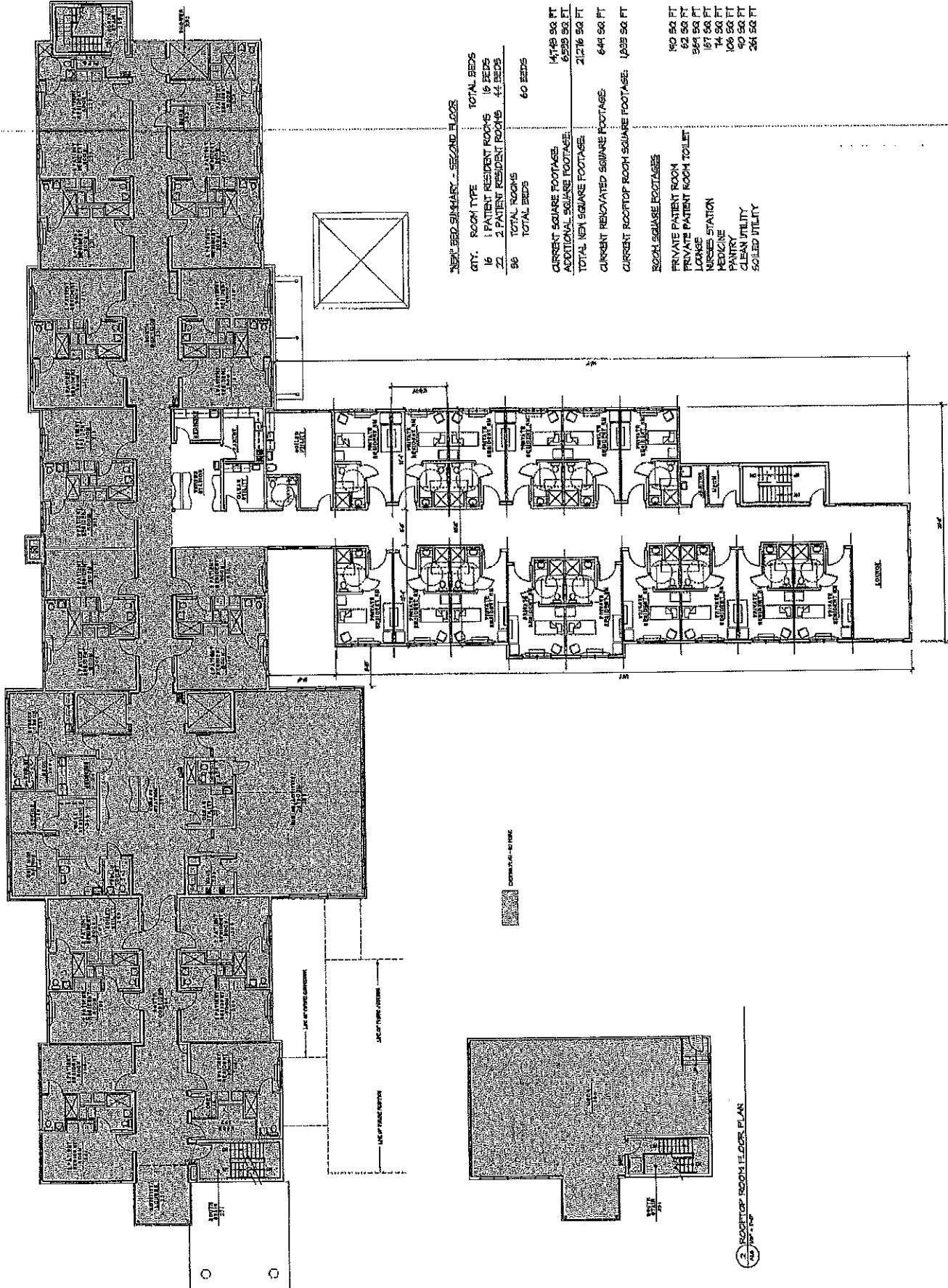
# Lorren Nursing - Elkridge Addition

7816 Washington Blvd  
Elkridge, Maryland 21076

PROPOSED  
SECOND  
LEVEL

DATE: JULY 25, 2014  
DRAWN: D-177  
SCALE: AS SHOWN

A1.6



**NEW BED SUMMARY - SECOND FLOOR**

QTY.	ROOM TYPE	TOTAL BEDS
16	1 PATIENT RESIDENT ROOMS	16 BEDS
22	2 PATIENT RESIDENT ROOMS	44 BEDS
86	TOTAL ROOMS	60 BEDS

CURRENT SQUARE FOOTAGE	147,283.93 FT
ADDITIONAL SQUARE FOOTAGE	65,299.93 FT
TOTAL NEW SQUARE FOOTAGE	212,583.86 FT
CURRENT RENOVATED SQUARE FOOTAGE	644,580 FT
CURRENT ROOFTOP ROOM SQUARE FOOTAGE	1,039,580 FT

ROOM SQUARE FOOTAGES	ROOM SQUARE FOOTAGES
PRIVATE PATIENT ROOM	160.582 FT
PRIVATE PATIENT ROOM TOILET	62.556 FT
LOUNGE	594.582 FT
NURSES STATION	197.582 FT
MEDICINE	14.582 FT
PANTRY	128.582 FT
CLEAN UTILITY	40.582 FT
SOILED UTILITY	281.582 FT

2. ROOFTOP ROOM FLOOR PLAN

