



**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:** May 18, 2017

**SUBJECT:** Stella Maris, Inc.  
Docket No. 16-03-2376

A handwritten signature in black ink, appearing to read "Kevin McDonald", is written over the "FROM:" field.

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Enclosed is the staff report and recommendation for a Certificate of Need ("CON") application filed by Stella Maris, Inc. ("Stella Maris").

Stella Maris is a 412 bed nursing home located at 2300 Dulaney Valley Road, Timonium, MD 21093. Stella Maris proposes to construct a building addition and renovate its existing facilities, which were designed and built in the 1950s and 1960s and are characterized by the applicant as outdated by today's standards. The proposed project will bring portions of the facility into compliance with current design standards, including requirements of the Americans with Disabilities Act ("ADA") and Maryland licensing regulations, found in COMAR 20.07.02.28(C)(2)b). The project will not change the number of licensed beds at the facility, but it will increase the number of private patient rooms, and reduce the number of rooms where more than two residents share a toilet. The project will also renovate existing spaces to provide a more home-like environment, including a new gym.

The total estimated cost of the project is \$29,691,826. Stella Maris expects to fund this project with a \$1,691,826 in cash, \$10,000,000 in philanthropy, and an \$18,000,000 mortgage loan.

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, Stella Maris, Inc. shall provide the Commission with a Memorandum of Understanding with the Maryland Medical Assistance Program agreeing to maintain at least the minimum proportion of Medicaid patient days required by Nursing Home Standard COMAR 10.24.08.05A(2)(b).
2. Stella Maris, Inc. shall meet and maintain the minimum proportion of Medicaid patient days required by its Memorandum of Understanding with the Maryland Medical Assistance Program and by Nursing Home Standard COMAR 10.24.08.05A(2).

**IN THE MATTER OF**  
**STELLA MARIS, INC.**

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

**Docket No. 16-03-2376**

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**Staff Report and Recommendation**

**May 18, 2017**

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## **I. INTRODUCTION**

### **A. The Applicant**

Stella Maris, Inc. (“Stella Maris”) is a nonprofit, comprehensive care facility (“CCF”) or nursing home. It is an affiliate of Mercy Health Services, Inc. Stella Maris is licensed for 412 beds, consisting of 114 private rooms and 149 semi-private rooms, and is located at 2300 Dulaney Valley Road, in Timonium in Baltimore County.

### **B. The Project**

Stella Maris proposes to construct a building addition and renovate its existing facilities, which were designed and built in the 1950s and 1960s and are characterized by the applicant as outdated by today’s standards. The proposed project will bring portions of the facility into compliance with current design standards, including requirements of the Americans with Disabilities Act (“ADA”) and Maryland licensing regulations, found in COMAR 20.07.02.28(C)(2)b). The project will not change the number of licensed beds at the facility, but it will increase the number of private patient rooms, and reduce the number of rooms where more than two residents share a toilet. The project will also renovate existing spaces to provide a more home-like environment, including a new gym.

The proposed project includes approximately 75,375 square feet (“SF”) of new construction comprised of a basement and three stories, and 5,106 SF of renovation to the existing facility to accommodate the new addition. Upon completion, the new construction will result in a 60-bed rehabilitation (“rehab”) or “transitional care” unit with 30 new private rooms on each of the first and second floors. This newly-constructed unit will replace 42 beds which will be decommissioned in 21 semi-private rooms, and convert 2 semi-private rooms to private. Sixteen outdated private rooms will also be decommissioned. The to-be-decommissioned beds are located in spaces that are currently grandfathered under ADA standards for accessibility and COMAR recommendations for room size. Specifically: 56 existing beds do not meet the ADA’s minimum 60-inch turning clearance; 42 beds located in 21 semi-private rooms do not meet COMAR’s recommended minimum room size of 200 SF, and 7 beds located in 4 rooms do not have private bathroom facilities. (DI #11, pp.8-11). These beds will be decommissioned and replaced in the new 60-bed building addition.

The third floor, totaling 19,725 SF, will be constructed as shell space to accommodate future upgrades to Stella Maris’s other aging facilities. It will provide Stella Maris with flexibility to relocate additional rooms from its outdated Pangborn Wing in the future. The applicant states that some of the rooms in the Pangborn Wing do not meet current ADA design standards without waivers or required minimum size standards under COMAR 10.07.02.28C. Stella Maris recognizes the need to either renovate or replace the Pangborn Wing at some point in the future, but it determined that doing so as part of this project was cost-prohibitive.

The estimated cost of the project is \$29,691,826, which includes an estimated \$18,737,505 for new construction, \$1,744,165 for renovations, \$3,182,559 for other capital costs, an inflation allowance of \$847,597, and financing and other cash requirements of \$5,180,000. The applicant

expects to fund this project with \$1,691,826 in cash, \$10,000,000 in philanthropy, and an \$18,000,000 mortgage loan.

### **C. Summary of Recommendation**

Staff recommends approval of this project based on its conclusions that the proposed project complies with the applicable standards in COMAR 10.24.08, State Health Plan for Facilities and Services: Nursing Home Services, as well as the review criteria at COMAR 10.24.01.08G(3) and recommends **APPROVAL** of the applicant's request for a CON with the following conditions:

1. At the time of first use review, Stella Maris, Inc. shall provide the Commission with a Memorandum of Understanding with the Maryland Medical Assistance Program agreeing to maintain at least the minimum proportion of Medicaid patient days required by Nursing Home Standard COMAR 10.24.08.05A(2)(b).
2. Stella Maris, Inc. shall meet and maintain the minimum proportion of Medicaid patient days required by its Memorandum of Understanding with the Maryland Medical Assistance Program and by Nursing Home Standard COMAR 10.24.08.05A(2).

This recommendation is based on the applicant's proposal and staff analysis: A summary of the basis for this recommendation is as follows:

<b>Standard/Criteria</b>	<b>Conclusions</b>
<b>Quality</b>	The applicant has a strong quality record as evidenced in its results on surveys conducted by CMS and OHCQ, results of which are listed in MHCC's Consumer Guide to Long Term Care.
<b>Need and Capacity</b>	The project will not add bed capacity to the facility or health system, but will modernize spaces, eliminating some (but not all) regulatory and code compliance issues. It will also increase the number of private patient rooms, and reduce the number of rooms where more than two residents share a toilet.
<b>Cost Effectiveness</b>	<p>Stella Maris demonstrated detailed and exhaustive consideration of alternatives, including renovating a larger share of existing space and larger scale construction projects to address a larger share of existing deficiencies at the facility.</p> <p>The proposed project will best meet the applicant's stated goals. Other alternatives were either deficient in addressing the need to temporarily relocate residents during renovation or were deemed cost prohibitive at this time. The proposed project -- constructing a new 3-level building with shell space and renovating parts of the existing facility -- best addresses the need to modernize patient rooms, improve staff efficiency, and positions the facility for further modernization in the future</p>

	Construction costs as benchmarked against the Marshall Valuation Service methodology appear reasonable.
<b>Financial Feasibility and Viability</b>	Stella Maris is an experienced nursing home operator. While philanthropy will cover more than one-third of the total project cost, it has demonstrated the fund-raising capability and debt capacity to fund the project as proposed. Its utilization projections and revenue and expense assumptions are reasonable.
<b>Impact</b>	The proposed project is a modernization and replacement of the existing patient rooms. It will align Stella Maris's facilities with modern room size and accommodations standards. This should have no negative impact on existing providers or on services for patients.

## 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 from the Baltimore County Health Department.

### C. Community Support

Several letters of support were included in the application for this project. Letters came from the Greater Baltimore Medical Center, Gilchrist Services Hospice Care, the Mercy Ridge Retirement Community, the Health Facilities Association of Maryland, as well as four letters from current, former, or prospective residents. (DI #11, Exhibit 16)

### 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 ("Nursing Home Chapter"). The specific standards to be addressed include: COMAR 10.24.08.05A and .05B, the nursing home general standards and standards that apply to new construction for nursing home projects; and .05C, the nursing home standards for renovations of facilities.



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

Stella Maris submitted its letter of intent on February 5, 2016 to submit a CON to construct a four-level addition to its existing facility. At that time, the MHCC Bed Inventory reflected no need for comprehensive care facility beds in Baltimore County. Since that time, updated bed need projections were published in the *Maryland Register* on April 29, 2016 (Appendix 2), which continue to project no need for additional CCF beds, as shown below.

**Table III-1: CCF Bed Need Projection for Baltimore 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
5,354	78	0	105	5,537	4,585	-952	228	0

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

There is no need for additional CCF beds in Baltimore County. However, this application would not add beds, but will replace and modernize existing beds at an existing facility.

### **(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.*

Stella Maris has previously executed a Memorandum of Understanding (“MOU”) with the Medical Assistance Program (“Medicaid”) that requires the facility to provide a specified proportion of Medicaid days of nursing facility care. (DI# 11, p. 22). The applicant stated that it contacted the Maryland Department of Health and Mental Hygiene (“DHMH”) to update its MOU, and was advised that a request should be made after the application is docketed or immediately prior to licensure by the Office of Health Care Quality. The applicant stated that it anticipates entering into a revised MOU with DHMH. (DI #11, p. 22).

***(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.***

The required Medical Assistance Participation Rate for Baltimore County is 42.59% and for the Central Maryland region is 46.9%, according to the “Required Maryland Medical Assistance Participation Rates for Nursing Homes by Region and Jurisdiction,” published in the *Maryland Register* on March 31, 2017. Stella Maris reported that its percentage of Medicaid patient days for FY 2014 and FY 2015 were 66.2% and 70.9%, respectively. Stella Maris projected that Medicaid would account for 69.4% of total patient days in FY 2016, and that the percentage of its Medicaid patient days will remain at 69.4% through FY 2021, then decline to 66.7% from FY 2022 to FY 2025.

***(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.***

Stella Maris has agreed to continue admitting Medicaid residents in numbers to maintain the required level of participation required. (DI# 11, p. 22). It has projected that the renovated facility will continue to have a Medicaid rate of 69.4% through 2021. (DI #11, Exh. 1, Table F).

***(d) Prior to licensure, an applicant shall execute a written Memorandum of Understanding with the Medicaid Assistance Program of the Department of Health and Mental Hygiene to:***

- (i) Achieve or maintain the level of participation required by .05A2(b) of this Chapter; and***
- (ii) Admit residents whose primary source of payment on admission is Medicaid.***
- (iii) An applicant may show evidence why this rule should not apply.***

The applicant has stated that it will execute a modified MOU with the Medicaid program covering all beds prior to seeking first use approval. (DI #11, p. 22). It may, of course, simply provide a copy of its current MOU.

In order to ensure the applicant fully complies with this standard, Staff recommends that the CON for this project, if approved, contain the following conditions:

1. At the time of first use review, Stella Maris, Inc. shall provide the Commission with a Memorandum of Understanding with the Maryland Medical Assistance Program agreeing to maintain at least the minimum proportion of Medicaid patient days required by Nursing Home Standard COMAR 10.24.08.05A(2)(b).
2. Stella Maris, Inc. shall meet and maintain the minimum proportion of Medicaid patient days required by its Memorandum of Understanding with the Maryland

Medical Assistance Program and by Nursing Home Standard COMAR 10.24.08.05A(2).

**Standards 10.24.08.05A(3) Community-Based Services, .05A(4) Nonelderly Residents, .05A(5) Appropriate Living Environment, and .05A(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:

- .05A(3) Community-Based Services
- .05A(4) Nonelderly Residents
- .05A(5) Appropriate Living Environment
- .05A(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 provided to prospective residents;
- Provides in-service staff training on problems faced by nonelderly residents and provided a copy of a discharge policy which states that discharge planning is initiated immediately following admissions with the goal of minimizing stays 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; and
- Is currently and will continue to be served by Baltimore City's public water system.

The text of these standards and the locations within the application where compliance is documented, can be found in Appendix 2.

**(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;*

According to the applicant, the rehabilitation/transitional care unit is designed with all private patient rooms and toilet facilities, enabling employees to more effectively admit and care for patients who have experienced an acute spell of illness. The design is intended to allow for

shorter lengths of stay in acute care and generate overall savings to the health care system. Patients admitted to this unit will continue to be predominately over 65 years of age and Medicare beneficiaries. The primary diagnoses of patients served on the rehabilitation care unit will include: orthopedic conditions (joint replacement, fractures, tendon repair, amputations, gait disturbance/falls, and arthritis); neurologic conditions (cerebrovascular accident, traumatic brain injury, multiple sclerosis, and Parkinson's disease); pneumonia; congestive heart failure; sepsis; wound care; cardiac surgery; and general surgery. (DI #11, pp. 27-28).

***(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.***

Stella Maris notes that many of the design features included in the proposed project are consistent with the FGI 2014 Guidelines for Residential Healthcare and Support Facilities, Facilities Guidelines and Environments for the Aging and the Veterans Affairs 2011 Design Guide: Community Living Center, noting such features as:.

- Home Like Atmosphere – creating a therapeutic home-like environment. This includes split dining areas to reduce the impression of institutional scale;
- Home Like Corridors – with storage alcoves and personalized room entrances;
- Resident Room Design – More single rooms allowing for more individual resident control and empowerment; and
- Staff Efficiencies –Improved sight lines, shorter travel distances, and enough space to maneuver wheelchairs. (DI #11, p.28).

The applicant has met 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.***

Stella Maris affirms that none of its principals has 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. (DI#11, p. 27).

Staff concludes that the applicant has complied with the disclosure requirements of 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.***

Stella Maris is an existing provider of long term and post-acute care services. The applicant notes that it provides a range of services within the long term care continuum, including skilled nursing and long term care facility services, independent living, skilled home care, residential services agency services, outpatient therapy, adult medical day care, home hospice care, and in-patient hospice services.

The applicant listed 10 assisted living providers and 5 long term/skilled nursing facilities with which it has collaborative business relationships. (DI #11, p. 29-30)

Staff concludes that 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 new construction it does not involve any changes in bed capacity. This standard is not applicable. (DI #11, pp. 29-32).

*(b) For a relocation of existing comprehensive care facility beds, an applicant must demonstrate need for the beds at the new site, including, but not limited to: demonstrated unmet needs; utilization trends for the past five years; and how access to, and/or quality of, needed services will be improved.*

The proposed project does not involve relocation of existing CCF beds. This standard is not applicable.

**(2) Facility Occupancy**

*(a) The Commission may approve a nursing home for expansion only if all of its beds are licensed and available for use, and it has been operating at 90 percent or higher, average occupancy for the most recent consecutive 24 months.*

*(b) An applicant may show evidence why this rule should not apply.*

The proposed project does not involve the addition of beds. The applicant notes that it has operated at 92 percent or higher average bed occupancy for the most recent consecutive 24 months. (DI #11, pp. 32-33).

**(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 proposed project is not an application for a new nursing home. This standard is not applicable. However, Baltimore County's jurisdictional occupancy rate over the latest three year period for which MHCC has complete data (FY2013-FY2015) is 89.5%.

**(4) Medical Assistance Program Participation**

Subsections (a) and (b) of this standard are not applicable to this CON application, as the proposed project is not a new nursing home and it does not deploy new CCF beds.

*(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.*

*(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.*

This standard duplicates some requirements of COMAR 10.24.08.05A(2), the General Standard regarding Medical Assistance Participation. Referring to the previous standard, the applicant states that it anticipates entering into another MOU with DHMH to comply with these standards. (DI #11, p.22). To ensure compliance, Staff recommends that, if approved, the CON include the conditions listed in this Staff recommendation at 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.*

Stella Maris reports that it has no outstanding Level G or higher deficiencies and that it maintains a robust quality assurance plan. With this plan, Stella Maris monitors and evaluates the quality and appropriateness of resident care, coordinates and integrates all quality improvement

activities throughout the facility, identifies and resolves problems, and improves quality and performance through constant improvement of processes, systems, structures, and outcomes. (DI #11, p. 34). Stella Maris included its Quality Assurance Plan in the application. (DI#11, Exhibit 19).

Stella Maris also notes that it achieved the Bronze – Commitment to Quality award from the American Health Care Association’s National Quality Award Program in 2011, and Silver – Achievement in Quality award every year since 2012. (DI #11, p. 34).

Staff reviews quality beyond the narrow specific requirements of this standard by summarizing an applicant’s performance on 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. The results for Stella Maris are reported below; Stella Maris exceeded the Maryland average on a majority of these quality measures. Staff concludes that the applicant has met this standard.

**Table III-2: Summary of Stella Maris’s Nursing Homes Quality Measures**

<b>Quality Measure</b>	<b>Maryland Average</b>	<b>Stella Maris</b>
<b>Falls</b>		
Long-stay residents that did not fall and sustain a major injury	<b>97%</b>	<b>94%</b>
<b>Pain</b>		
Long-stay residents who do not report moderate to severe pain.	<b>93%</b>	<b>98%</b>
Short stay residents who did not have moderate to severe pain.	<b>86%</b>	<b>92%</b>
<b>Pressure ulcers</b>		
High risk long stay residents without pressure sores.	<b>93%</b>	<b>95%</b>
Short stay residents that did not develop new pressure ulcers or with pressure ulcers that stayed the same or got better.	<b>99%</b>	<b>98%</b>
<b>Vaccinations</b>		
Long stay residents assessed and given influenza vaccination during the flu season.	<b>95%</b>	<b>99%</b>
Short stay residents assessed and given influenza vaccination during the flu season.	<b>83%</b>	<b>93%</b>
Nursing home staff receiving influenza vaccination during flu season (2015-2016).	<b>88%</b>	<b>98%</b>
<b>Restraints</b>		
Percent of long-stay residents who were not physically restrained.	<b>99%</b>	<b>100%</b>
<b>Deficiencies</b>		
Number of Health deficiencies cited in the most recent annual OHCQ health inspection (2015-2016).	<b>10.4</b>	<b>5.0</b>
<b>Resident/Family Satisfaction Survey Results (2015 Long Stay and Short Stay Surveys)</b>		
The rating of overall care provided in the nursing home – long term residents. (2015) (1 being worst care and 10 the best care.)	<b>8.1</b>	<b>8.9</b>
The rating of overall care received from the nursing home staff, overall – short stay residents. (1 being worst care and 10 the best care.)	<b>7.9</b>	<b>7.8</b>

Percentage of long term residents/family who responded "Yes" to "Would you recommend the Nursing Home?"	<b>86%</b>	<b>98%</b>
Percentage of short stay residents/family who responded "Yes" to "Would you recommend the Nursing Home to others?"	<b>81%</b>	<b>77%</b>

Source CMS Nursing Home Compare, data collected 08/08/2012 – 04/28/2016

#### **(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 proposed project is not a relocation of a facility. This standard is not applicable.

#### **C. Renovation of Facility. The Commission will review projects involving renovation of comprehensive care facilities using the following standards in addition to .05A(1)-(9):**

Two standards regarding renovations of a facility duplicate standards for new construction or expansion of beds or services and are addressed in the preceding section of the report. These are:

- .05A(1). Bed Status; and**
- .05A(2). Medical Assistance Program Participation**

Analysis of these standards will not be repeated here. The one remaining standard in this section is addressed below.

#### **(3) Physical Plant**

*An applicant must demonstrate how the renovation of the facility will improve the quality of care for residents in the renovated facility, and, if applicable will eliminate or reduce life safety code waivers from the Office of Health Care Quality and the State Fire Marshall's Office.*

In order to address features of the existing facility that are not in full compliance with contemporary standards, the proposed project will decommission 60 beds in 39 rooms, which will be replaced in the new construction, and will convert two existing semi-private rooms to private in the existing facility. (DI # 11, pp. 9, 35). The proposed project will partially address the facility's need to rely on waivers from certain ADA design standards. (DI #11, p. 7). The applicant specifies that the proposed project will better address the following regulatory standards:

- The ADA design standard that establishes a minimum of 60 inches of circular or T-shaped space for wheel chair turning clearances in patient rooms. Upon project completion, the applicant stated that an additional 56 beds at the facility will satisfy this requirement. (DI #11, pp. 9-10, 39-40).
- The ADA requirement that 50% of rooms be accessible, and 100% of rehabilitation rooms be accessible. According to the Applicant, very few existing rooms and



bathrooms meet this requirement. All of the 60 new private patient rooms are designed to meet ADA requirements.

- The COMAR standard that recommends a minimum room size of 100 SF per bed in semi-private rooms and 125 square feet for single-bed rooms. According to the applicant, the proposed project will result in an additional 42 beds that satisfy this recommendation (not mutually exclusive of the beds listed above). (DI #11, p. 10).

Stella Maris also cites other quality of care considerations that will be addressed in the new construction. The existing facility is limited in its ability to admit and care for patients seeking rehabilitation services. Because of shared bathrooms, Stella Maris is unable to admit rehabilitation patients requiring certain infection controls. Shared bathroom facilities also present challenges in accommodating patients based on gender. (DI # 11, pp. 39-40). The new construction will provide 60 private rooms with private bathrooms, and will improve Stella Maris's ability to admit most patients seeking rehabilitation care.

The proposed project includes renovating two semi-private rooms in the Shehan Wing to private rooms and the conversion of current office space to a rehabilitation gym on the first floor of the Shehan Wing (the existing rehabilitation gym is located on the ground floor and lacks space for updated equipment and windows). Paired with a connection to the new construction, the applicant states that this will increase accessibility for residents. Connections from the existing Shehan Wing to new building will also be constructed on the second and third floor. (DI #11, pp. 9, 35).

The new construction and renovation elements of the proposed project will improve the quality of care and reduce the need for waiver from current federal and state design standards.

Staff concludes that this project is consistent with this standard.

## **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. 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.*

### **Applicable Bed Need Analysis**

The applicable bed need analysis was published in the *Maryland Register* on April 29, 2016 (Appendix 2) and shows no projected need for additional CCF beds in Baltimore County. Stella Maris is currently licensed for 412 CCF beds, which it does not propose to change, thus the

proposed project has no effect on the bed inventory. The project is consistent with the applicable bed need analysis.

### **Occupancy Rates of Baltimore County Providers**

According to the 2015 MHCC Long Term Care Survey, the jurisdictional occupancy rate for nursing home beds in Baltimore County was 89.9%. This occupancy rate has increased slightly over the last 3 years – from 88.8% in FY 2013, to 89.7% in FY 2014, to 89.9% in FY 2015. Stella Maris presented data sourced from the MHCC Nursing Home Survey which showed that the aggregate occupancy rate for 34 Baltimore County nursing homes consistently reaching or exceeding 90% in the last five years for which data was available at the time the application was written and that 22 of the 34<sup>1</sup> facilities had occupancy rates of 90% or higher in 2014. (DI #11, pp. 30-31). Staff review showed similar performance in 2015.

### **Need to Modernize**

Stella Maris's impetus for this project is not to expand capacity to meet needs, but to modernize a facility that has been meeting a portion of that need for many years. The facilities that the applicant proposes to replace were designed and built in the 1950s and 1960s and are outdated. Beds used to provide rehabilitative services, which were constructed in 1966, cannot accommodate more acute patients who arrive after shorter inpatient admissions with increasingly more complex medical and rehabilitation needs. Because of its older facilities, Stella Maris has needed to rely upon waivers from current design standards, including some from the Americans with Disabilities Act, and others (e.g., minimum turning areas in patient rooms, room size recommendations for semi-private rooms) that do not comply with COMAR regulations. The proposed project will reduce the number of semi-private rooms used for rehabilitation and the lack of accessibility for residents with disabilities.

### **Summary of Compliance with Need Criterion**

In summary, staff concludes that the applicant has demonstrated that there is need for the modernization of this large CCF. The proposal does not add bed inventory. The jurisdiction has an occupancy rate close to 90 percent. The project modernizes the applicant's facility, eliminating some (but not all) regulatory compliance issues. The replacement of the outdated facilities will provide a benefit for the population to be served.

### **C. COMAR 10.24.01.08G(3)(c) Availability of More Cost-Effective Alternatives**

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<sup>1</sup> Excluding the following CCRCs or Hospital Based Sub-Acute Units: Augsburg Lutheran Home of Maryland, Autumn Ridge at North Oaks, Broadmead, Charlestown Care Center - Renaissance Gardens, Chestnut Green Health Care Center at Blakehurst, Edenwald, Glen Meadows Retirement Community, Maryland Masonic Homes, Mercy Villa Convent, Oak Crest Village Care Center, Pickersgill Retirement Community, GBMC Subacute, and Northwest Hospital Center-Sub Acute Unit.

***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.***

An applicant must describe the planning process it used to develop the proposed project, including a full explanation of the primary goals or objectives of the project or the problem(s) being addressed by the project, and to identify and compare the alternative approaches to achieving those goals or objectives or solving those problem(s). Stella Maris identified the primary goals and the four alternatives that it considered.

The primary goals of the project were to:

1. Develop a rehabilitation or transitional care unit with 60 private beds and bathrooms that adheres to modern design standards;
2. Create staffing efficiencies; and
3. Develop and initiate implementation of a masterplan that will allow Stella Maris to correct, over time, certain deficiencies in space and infrastructure in the Shehan Wing which currently houses 102 long term care beds and 22 hospice beds and the Pangborn Wing which currently houses 139 long term care beds and 45 subacute/rehabilitation beds. (DI #11, p. 40).

Stella Maris described four alternatives that it considered to meet these goals; the options are summarized in the table below. (DI #11, pp. 40-43).

**Table III-5: Comparison of Stella Maris Modernization Options**

	Option	Description	Benefits/ Ability to meet stated goals	Deficiencies
1	<b>Replacement and renovation of Shehan Wing</b>  <b>Estimated cost: \$19,500,000</b>	<ul style="list-style-type: none"> <li>• 43,800 SF new construction, 2-level addition plus basement</li> <li>• 20,460 SF renovation of Shehan Wing</li> <li>• 60-bed rehab unit with all private rooms: 44 rehab beds located in new construction and 16 beds located in Shehan Wing.</li> </ul>	Adheres to modern design standards	<p>No staffing efficiencies</p> <p>Does not provide space to accommodate residents during future renovation of Panghorn Wing</p>
2	<b>Replacement and renovation of Shehan Wing, plus shell space to accommodate future renovation</b>  <b>Estimated cost: \$29,691,826</b>	<ul style="list-style-type: none"> <li>• 75,375 SF new construction</li> <li>• 5,106 SF renovation.</li> <li>• 60-bed rehab unit</li> <li>• Shell space on 3<sup>rd</sup> floor</li> </ul>	<p>Adheres to modern design standards</p> <p>Allows for operation of facility at capacity</p> <p>Allows for future upgrades to Panghorn Wing</p> <p>Eliminated need for major renovation in Shehan Wing</p>	Does not provide for modernization or replacement of the Panghorn Wing
3	<b>Replacement of both Shehan and Panghorn Wings with 2 new buildings</b>  <b>Estimated cost: \$44,000,000</b>	<ul style="list-style-type: none"> <li>• 124,500 SF new construction in two buildings</li> <li>• 67,000 SF, 3-level building plus basement</li> <li>• 57,500 SF building</li> <li>• 60-bed rehab unit on 3 levels</li> <li>• 20 hospice beds</li> <li>• 106 semi-private long term beds</li> </ul>	Adheres to modern design standards	Cost prohibitive at this time
4	<b>Replacement of both Shehan and Panghorn Wings with 1 new building</b>  <b>Estimated cost: \$42,700,000</b>	<ul style="list-style-type: none"> <li>• 124,500 SF new construction building, 3-level plus ½ basement</li> <li>• 60-bed rehab unit</li> <li>• 20 hospice beds</li> <li>• 130 semi-private long term beds</li> </ul>	<p>Adheres to modern design standards</p> <p>Cost savings for undertaking new construction at one time</p>	Cost prohibitive at this time

**Option 1**, a project that would only renovate the Panghorn Wing, would not be realistic: (a) due to the need to house residents elsewhere during renovation; and (b) even if such renovation were feasible, additional space would need to be added to accommodate the same number of residents in facilities that meet modern design standards that include increased room clearances and private bathrooms. The applicant deemed **Options 3 and 4**, which involve larger scale construction projects to replace a larger proportion of the outdated facilities, to be cost-prohibitive at this time. **Option 2**, the proposed project, meets the applicant's goals of modernizing the rehabilitation/transitional unit and decommissioning the use of outdated facilities in the Shehan Wing. It also accommodates the future need to renovate other aging facilities in the Panghorn Wing by including shell space that could house residents during a renovation process.

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 \$239.48/SF. (DI #11, Exhibit 18). This is 6% over the comparable MVS benchmark of \$225.10/SF 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.

In the case of a nursing home review, the main function of an MVS analysis is to assess the soundness of an applicant's cost estimates – i.e., to gain some confidence that costs are not underestimated. A situation such as this, a finding that there may be a small excess cost – is not troubling in that the applicant's reimbursement from Medicare and Medicaid will not be affected by its capital expenditure.

Thus, given the identified need to modernize and consolidate rehabilitation or transitional care at the existing facility, and the reasonable cost estimate for the proposed construction, staff concludes that the proposed project is a cost effective alternative for meeting the objectives of replacing its rehabilitation and transitional care unit in order to meet contemporary room size and accommodations standards.

**D. 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 cost of the construction and renovation project is \$29,691,896, including \$18,737,505 for new construction, \$1,744,162 for renovations, \$3,182,559 for other capital costs, an inflation allowance of \$847,597, and \$5,180,000 for financing and other cash requirements. The applicant expects to fund this project with \$1,691,826 in cash, \$10,000,000 in philanthropy, and a \$18,000,000 mortgage loan.

Table 5 below outlines that costs and sources of funds for the proposed project.

**Table III-6: Stella Maris, Inc. Proposed Project Budget Estimate:  
Uses and Sources of Funds**

<b>A. Uses of Funds</b>	
<b>New Construction</b>	
Land Purchase	-
Building	\$15,018,872
Site and Infrastructure	1,983,633
Architect/Engineering Fees	1,683,000
Permits	52,000
<b>Subtotal – New Construction</b>	<b>\$18,737,505</b>
<b>Renovations</b>	
Building	\$781,562
Fixed Equipment	952,603
Permits	10,000
<b>Subtotal – Renovations</b>	<b>\$1,744,165</b>
<b>Other Capital Costs</b>	
Movable Equipment	\$762,083
Contingencies	2,152,524
Other – IT costs	267,952
<b>Subtotal - Other Capital Costs</b>	<b>\$3,182,559</b>
Inflation	\$847,597
<b>TOTAL CAPITAL COSTS</b>	<b>\$24,511,826</b>
<b>Financing and Other Cash Requirements</b>	
Loan Fees	\$350,000
Legal Fees	100,000
Consultant Fees	50,000
Liquidation of Existing Debt	4,680,000
<b>Subtotal – Non Current Capital Costs</b>	<b>\$5,180,000</b>
<b>TOTAL USES OF FUNDS</b>	<b>\$29,691,826</b>
<b>B. Sources of Funds</b>	
Cash	\$1,691,826
Philanthropy	10,000,000
Mortgage	18,000,000
<b>Total Sources of Funds</b>	<b>\$29,691,826</b>

Source: DI #11, Exhibit 1, p. 3-4

Stella Maris stated that it discussed obtaining financing of \$18,000,000 through a mortgage from a bank with which it has had an historic relationship. Of this amount, \$4,680,000 will be used towards paying off Stella Maris's last three payments on bonds issued in 1997 by the Maryland Health and Higher Educational Facilities Authority, while the rest of the funds will be used as working capital for this and other future financial needs. (DI #11, p. 44).

Another primary source for funding the project is philanthropy, which the project budget counts on for \$10 million. Stella Maris stated that fundraising is being conducted by the Mercy Health Foundation, which has raised more than \$100 million in gifts and pledges from individuals,

corporations, and foundations since 1999. Over the past 10 years, Stella Maris has received \$15,452,714 in philanthropic support. (DI #11, p. 48). As of November 10, 2016, a total of \$7,042,563 has been pledged for this project, of which \$1,620,482 has been received. A comprehensive fundraising campaign will continue throughout 2016 and 2017. (DI #11, p. 48).

To document its experience and track record in managing debt financing, refinancing, and restructuring, the applicant listed every Mercy Health Services'-related financing transaction in which present Mercy Health Services and Stella Maris executives have been involved in and responsible for. (DI #11, p. 49). They include:

- 1997 – Stella Maris, \$22 million
- 2000 – Mercy Ridge, \$69 million
- 2001 – Mercy Medical Center Weinberg Building, \$49 million
- 2007 – Mercy Medical Center Building financings of \$305 million in the aggregate
- 2007 – Mercy Ridge, \$23 million
- 2013 – Stella Maris HUD refinancing, \$5 million
- 2016 – Mercy Medical Center rate advanced refunding, \$146 million
- 2016 – Mercy Medical Center rate restructuring, \$102 million

Stella Maris also notes that as a condition of its letter of credit, it is required to maintain certain covenants with respect to its debt held by Maryland Health and Higher Education Facilities Authority. Specifically, Stella Maris must maintain an adequate current ratio of 1.25 and a debt service coverage ratio of 1.35. Stella Maris projects its current ratio and debt service coverage ratio will continue to exceed the minimum threshold at all times during the project. According to the applicant, projections reflect that the lowest ratio levels expected during the project will still exceed the covenant threshold of 1.25. The debt service coverage ratio is expected to surpass the covenant threshold by comparable margins during the project as well. (DI #11, p. 47).

### **Availability of Resources Necessary to Sustain the Project**

#### **(a) Finances**

Table 6 summarizes Stella Maris's performance projections for the entire facility. The applicant also provided evidence of consistent admissions in excess of 3,900 from FY 2011 through 2013, with a decline beginning in 2014 and continuing in 2015. Admissions are projected to increase to more than 4,000 beginning in 2021 based on the assumption that the applicant will recapture a higher referral-to-admission rate with more updated facilities. Occupancy rates are projected to increase from the current level of approximately 92.1% to 94.6% during FY 2021, the first full year of operation of the expanded and renovated CCF.

**Table III-7: Selected Utilization and Operating Statistics for Stella Maris**

	Entire Facility											
	Most Recent Years		Current Projected Year	Projected Years (FY)								
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Licensed Beds	412	412	412	412	412	412	412	412	412	412	412	412
Admissions	3,903	3,597	3,734	3,734	3,734	3,734	3,734	4,057	4,057	4,057	4,057	4,057
Patient Days	138,468	138,317	138,824	138,445	138,445	138,445	138,842	142,277	142,277	142,277	142,277	142,277
Occupancy Rate	92.1%	92.0%	92.1%	92.1%	92.1%	92.1%	92.1%	94.6%	94.6%	94.6%	94.6%	94.6%
Gross Revenue (\$)	61,221,689	61,322,991	62,887,571	62,887,572	62,887,571	62,887,571	63,059,866	65,711,623	65,711,623	65,711,623	65,891,654	65,711,623
Net Revenue (\$)	54,770,556	54,008,309	55,462,520	55,400,521	55,400,520	55,400,520	55,552,302	57,664,398	57,664,398	57,664,398	57,822,382	57,664,398
Operating Expenses (\$)	52,348,949	52,096,518	54,062,134	53,994,577	54,175,281	54,415,466	54,728,011	57,559,184	57,595,518	57,554,060	57,763,674	57,520,605
Net Income (Loss) from Operation (\$)	2,421,607	1,911,791	1,400,386	1,405,944	1,225,239	985,054	824,291	105,214	68,880	110,338	58,708	143,793
<b>Payor Mix (% of Revenue)</b>												
Medicare	28.0%	26.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	29.0%	29.0%	29.0%	29.0%
Medicaid	39.0%	45.0%	47.0%	47.0%	47.0%	47.0%	47.0%	47.0%	40.0%	40.0%	40.0%	40.0%
<b>Payor Mix (% of Patient Days)</b>												
Medicare	10.3%	9.1%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	13. 5%	13. 5%	13. 5%	13. 5%
Medicaid	66.2%	70.9%	69.4%	69.4%	69.4%	69.4%	69.4%	69.4%	66.7%	66.7%	66.7%	66.7%
Commercial Insurance	1.9%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.3%	2.3%	2.3%	2.3%
Self-Pay	21.6%	17.9%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%	17.5%	17.5%	17.5%	17.5%
<b>Revenues, Expenses, and Profits</b>												
Gross Revenue per Patient Day	\$442.14	\$443.35	\$453.00	\$454.24	\$454.24	\$454.24	\$454.18	\$461.86	\$461.86	\$461.86	\$463.12	\$461.86
Net Revenue per Patient Day	\$395.55	\$390.47	\$399.52	\$400.16	\$400.16	\$400.16	\$400.11	\$405.30	\$405.30	\$405.30	\$406.41	\$405.30
Expense per Patient Day	\$378.06	\$376.65	\$389.43	\$390.01	\$391.31	\$393.05	\$394.17	\$404.56	\$404.81	\$404.52	\$405.99	\$404.29
Income per Patient Day	\$17.49	\$13.82	\$10.09	\$10.16	\$8.85	\$7.12	\$5.94	\$0.74	\$0.48	\$0.78	\$0.41	\$1.01



For the newly constructed rehabilitation or transitional care unit, the applicant projects an 86.7% occupancy rate in the first five years of operation, FY 2021 to FY 2025. Net income for the proposed project only, including expenses associated with interest and depreciation, is projected to be more than \$1,000,000 annually. (DI #11, Exh. 1, Tables E & G).

Projections for the entire facility indicate that net income will remain positive throughout the projected period, but income is projected to decline due, in large part, to interest in the project debt beginning in FY 2018 and project depreciation beginning in FY 2021, as well as increases in expenses for therapy, laboratory, and other expenses associated with an increase in Medicare admissions.

### (b) Staffing

Table 8 below shows the total number of salaried and contractual employees projected to staff the 412-bed CCF. Stella Maris expects to need approximately 18 additional full time-equivalent (“FTE”) staff as a result of the project and approximately 3 additional FTE staff members due to other expected changes in operation, at an additional annual cost of \$3,150,762 in salaries and \$370,753 in benefits.

**Table III-8: Stella Maris Staffing Projections**

Position	Current – Entire Facility		Projected – Entire Facility 2025	
	Number of FTEs	Salary Expense	Number of FTEs	Projected Salary Expense
Administration	72.5	\$4,072,866	72.5	\$4,072,866
Direct Care	448.7	\$7,852,281	462.8	\$22,946,305
Support	144.4	\$5,090,760.6	151.6	\$5,272,711
Contractual	2.6	\$178,696	2.6	\$178,696
<b>Total FTEs</b>	<b>668.2</b>		<b>689.4</b>	
<b>Employee Benefits*</b>		<b>\$6,273,458</b>		<b>\$6,458,377</b>
<b>Total Salaries &amp; Benefits</b>		<b>\$37,819,437</b>		<b>\$38,928,955</b>

Source: DI #11, Exh. 1, Table H

Table 9 below indicates that the applicant will have a direct care staffing schedule that will deliver an overall average ratio of 3.71 nursing hours per bed per day on weekdays and 3.54 nursing hours per day of care on weekend days or holidays. These staffing ratios are well above the minimum of two hours per-bed-per-day required by COMAR 10.07.02.12.

**Table III-9: Nurse Staffing by ShiftStella Maris – 412 CCF Beds**

Staff Category	Weekday			Weekend/Holiday		
	Day	Evening	Night	Day	Evening	Night
RN	144.3	63.0	51.0	72.3	63.0	51.0
LPN	66.0	57.0	69.0	66.0	57.0	69.0
Aides	375.0	322.5	210.0	375.0	322.5	210.0
Medicine Aides	67.5	67.5		67.5	67.5	

Ward Clerks (50% of time included)	37.5			37.5		
Total Hours by Shift*	690.3	510	330	618.3	510	330
Total Hours			1530.3			1458.3
Total Number of Beds			412			412
Hours Per Bed Per Day			3.71			3.54

Source: DI #11, Exh. 1, Table I

Stella Maris also provided several letters of support for this project including letters from the Greater Baltimore Medical Center, Gilchrist Services Hospice Care, the Mercy Ridge Retirement Community, the Health Facilities Association of Maryland, and current, former, and prospective residents. (DI #11, Exh. 16).

### Summary of Compliance with Viability Criterion

Stella Maris has demonstrated that it can obtain the financial resources necessary for the proposed project. The projections of positive operating margins throughout the projected years are based on reasonable utilization, revenue, expense, and payer mix assumptions. Staff recommends that the project be found to be 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.*

Over the last 15 years, Stella Maris has received one CON, Docket No. 04-03-2145, to renovate existing space in the Shehan building to accommodate 42 re-licensed beds for hospice use. The application was approved without conditions. During the development of that project, the applicant submitted a modification to increase the cost of the project by 35.9%, from \$5,426,000 to \$7,373,000. Stella Maris completed the project within the revised budget and received first use approval on April 15, 2008.

Stella Maris has demonstrated compliance with the terms and conditions associated with the only CON it has been granted within the last 15 years.

#### 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 proposed project will not change the number of CCF beds at Stella Maris. The impact on other providers is likely to be negligible. It is expected to make Stella Maris a more attractive and competitive alternative among the area's CCFs and provide a slight increase in bed occupancy.

The project will substantively improve the physical facilities of Stella Maris, a positive impact for current and future residents seeking nursing home care. Staff recommends that the project be found to be 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, B, and C, 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, Stella Maris, Inc. shall provide the Commission with a Memorandum of Understanding with the Maryland Medical Assistance Program agreeing to maintain at least the minimum proportion of Medicaid patient days required by Nursing Home Standard COMAR 10.24.08.05A(2)(b).
2. Stella Maris, Inc. shall meet and maintain the minimum proportion of Medicaid patient days required by its Memorandum of Understanding with the Maryland Medical Assistance Program and by Nursing Home Standard COMAR 10.24.08.05A(2).

IN THE MATTER OF  
STELLA MARIS, INC.  
Docket No. 16-03-2376

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BEFORE THE  
MARYLAND HEALTH  
CARE COMMISSION

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**FINAL ORDER**

Based on the analysis and findings contained in the Staff Report and Recommendation, it is, this 18<sup>th</sup> day of May, 2017, by a majority of the Maryland Health Care Commission, **ORDERED:**

The application for Certificate of Need submitted by Stella Maris, Inc., to expand and renovate the existing comprehensive care facility, including construction of a four-story building addition with 60 replacement beds at 2300 Dulaney Valley Road, in Timonium, Baltimore County, Docket No. 16-03-2376, at an estimated cost of \$29,691,826, be **APPROVED**, subject to the following conditions:

1. At the time of first use review, Stella Maris, Inc. shall provide the Commission with a Memorandum of Understanding with the Maryland Medical Assistance Program agreeing to maintain at least the minimum proportion of Medicaid patient days required by Nursing Home Standard COMAR 10.24.08.05A(2)(b).
2. Stella Maris, Inc. shall meet and maintain the minimum proportion of Medicaid patient days required by its Memorandum of Understanding with the Maryland Medical Assistance Program and by Nursing Home Standard COMAR 10.24.08.05A(2).

## **APPENDIX 1**

### **REVIEW OF THE RECORD**

### Record of the Review

Item #	Correspondence File	Date
1	Commission staff acknowledged receipt of Letter of Intent	2/11/16
2	Commission staff received a Letter of Support from Joseph DeMattos, HFAM	2/11/16
3	The applicant filed the Certificate of Need application with large plans	4/8/16
4	Commission staff acknowledged receipt of application for completeness review	4/12/16
5	Commission staff requested that <i>The Baltimore Sun</i> publish notice of receipt of application	4/12/16
6	Commission staff requested that the <i>Maryland Register</i> publish notice of receipt of application	4/12/16
7	Notice of receipt of application as published in <i>The Baltimore Sun</i>	4/21/16
8	Following completeness review, Commission staff requested additional information	5/6/16
9	Commission staff received request for extension to respond to completeness questions	6/3/16
10	Commission staff received responses to additional information request	11/15/16
11	Commission staff received amended Certificate of Need Application	11/15/16
12	Commission staff requested that the <i>Maryland Register</i> publish notice of formal start of review	12/23/16
13	Commission staff notified the applicant of formal start of review of application effective 1/16/2017 and requested additional information	12/30/16
14	Commission staff requested that <i>The Baltimore Sun</i> publish notice of formal start of review	12/30/16
15	Request made for comments from the Local Health Planning Department on the CON application	1/6/17

## **APPENDIX 2**

### **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# 11, p. 23  DI# 11, Exhibit 8  DI# 11, p.24</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# 11, Exhibit 9  DI# 11, p. Exhibit 8</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# 11, p. 25</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# 11, p. 26</p>



## **APPENDIX 3**

### **MARSHALL VALUATION SERVICE 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 hospitals.

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 lot line to the structure figured for typical setbacks.

The MVS costs do not include costs of buying or assembling land, pilling 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>2</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 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.

## **Applying MVS to this project**

In its application for the proposed project, the Applicant classifies the construction of Class A, Good quality Nursing Home. 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.

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<sup>2</sup> Marshall Valuation Service Guidelines, Section 1, p. 3 (January 2016).

## Calculation of Marshall Valuation Service Benchmark for Stella Maris Building Addition

	Upper Floors	Basement	Total Building
<b>Class</b>	<b>Class A</b>		
<b>Type</b>	Good		
<b>Square Footage</b>	59,375.0	16,000.0	75,375.0
<b>Perimeter</b>	1,576.0	780.0	
<b>Wall Height (Avg.)</b>	11.33	11.30	
<b>Stories</b>	3.0	1.0	
<b>Average Area Per Floor</b>	19,791.7	8,000.0	
<b>Average Perimeter</b>	788.0	780.0	
<b>As Outlined in MVS</b>			
<b>Base Cost (Section 15, p.26) November 2015</b>	256.66	128.88	
<b>Elevator Add-on (Section 15 p.36) Nov. 2015</b>	\$ -	\$ 0.52	
<b>Adjusted Base Cost</b>	\$ 256.66	\$ 129.40	
<b>Adjustment for Department Differential</b>	1	1	
<b>Gross MVS Base Cost</b>	\$ 256.66	\$ 129.40	
<b>Perimeter Multiplier (15.38)</b>	0.949	0.964	
<b>Height Multiplier (15.38) November 2015</b>	0.985	0.985	
<b>Multi-story Multiplier (15.19)</b>	1	1	
<b>Combined Multiplier</b>	0.934	0.950	
<b>Refined Base Square Foot Cost</b>	\$ 239.71	\$ 122.88	
<b>Sprinkler Add-on (15.36) November 2015</b>	\$ 3.07	\$ 3.07	
<b>Final Base Cost Per Square Foot</b>	\$ 242.78	\$ 125.95	
<b>Current Cost Modifier (99.3) February, 2017</b>	1.02	1.02	
<b>Local Multiplier (99.8) State of MD January, 2017</b>	1.01	1.01	
<b>CC &amp; Local Multipliers</b>	1.0302	1.0504	
<b>BENCHMARK Building Cost/SF Based on MVS</b>	\$ 250.11	\$ 132.29	\$ 225.10

Source: Stella Maris CON Application and Marshall Valuation Service®, published by Core Logic and Commission Staff Calculations

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

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 Stella Maris**

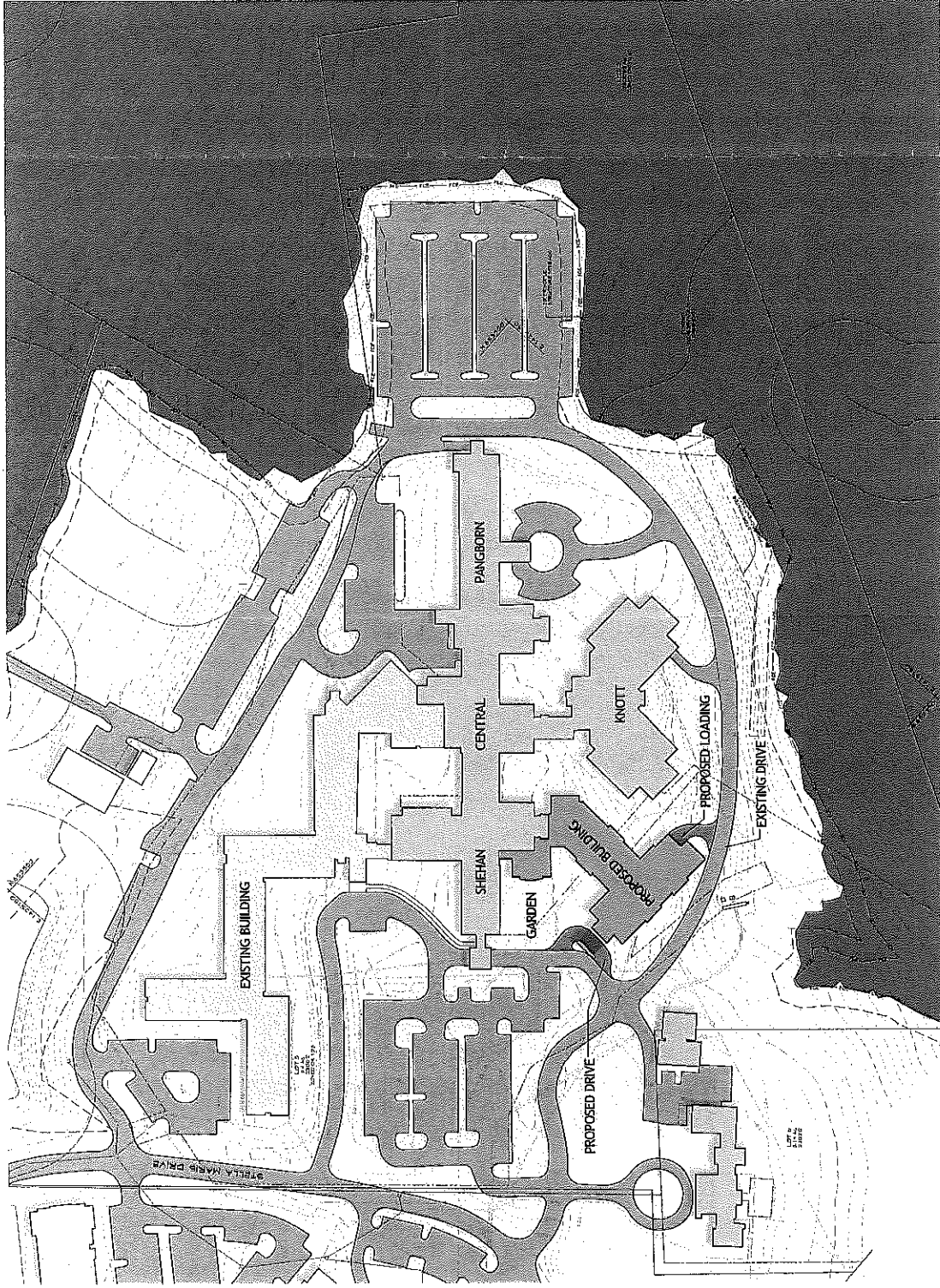
<b>Project Budget Item</b>	<b>Class A</b>
Building	15,018,872
Fixed Equip.	0
Site Work	1,983,633
Arch./Eng. Fees	1,683,000
Permits	52,000
Subtotal	18,737,505
Construction Int & Fin Fees	213,339
Total Project Costs	\$ 18,950,844
<b>Total Adjustments</b>	
Storm Drains	63,866
Rough Grading	41,846
Demolition	29,083
Paving	73,404
Landscaping	31,419
Relocation (2) BGE primary feeders	94,890
Ground Fuel Tanks Removal	112,447
13.2 Selector switch and 1500KVA transformer removal	122,198
remove existing 13.2 selector switch and 1500KVA transformer	42,218
208V Distribution sub-station main switches and transformers removal	32,466
Emergency Generator Power to existing fire pump	59,490
150 ton chiller, pump, and cooling tower removal	36,616
Modify/Repair primary chill water pumping loop	78,733
Add pair of lead/lag secondary chiller water pumps	22,510
Add secondary chilled water pump	11,305
Sub-Total New Construction Adj.	852,491
A & E Adj.	84,415
Total Adjustments	936,906
<b>Project Costs for MVS Comparison</b>	<b>\$ 18,013,938</b>
Square Footage	75,375
<b>Cost Per Square Ft.</b>	<b>\$ 238.99</b>
<b>Adjusted MVS Cost/Square Foot</b>	<b>\$ 225.10</b>
<b>Over(Under)</b>	<b>\$ 13.89</b>
<b>Amount of Overage</b>	<b>\$ 1,047,016</b>

Source: DI #11, Exhibit 18 and MHCC Staff Analysis

Staff calculates the Applicant's estimated construction cost to be \$238.99 per square foot, or about 6%, over the Marshall Valuation Service benchmark for the proposed project.

## **APPENDIX 4**

### **Floor Plans**

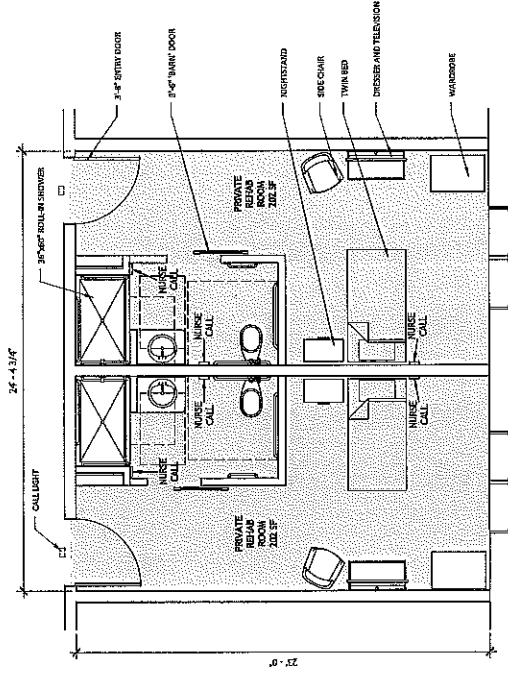


**STELLA MARIS**  
2300 DULANEY VALLEY ROAD  
TIMONIUM, MD 21093

SITE PLAN

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4.6.2016

9.2016



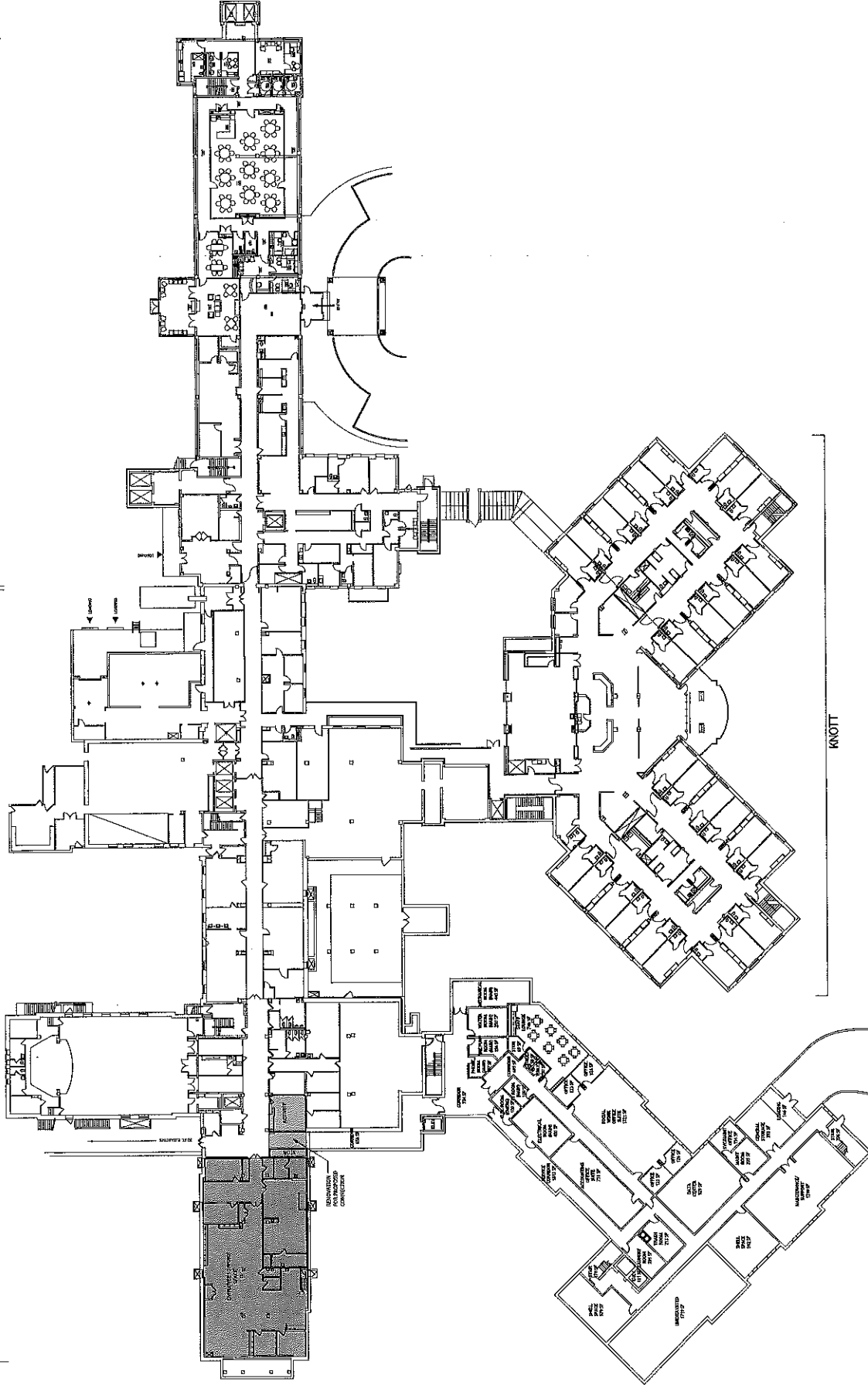
REHAB UNIT PLAN

STELLA MARIS  
2300 DULANEY VALLEY ROAD  
TIMONIUM, MD 21093

ENLARGED UNIT PLAN  
1/4" = 1'-0"

hord | coplan | macht  
4.8.2016

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**STELLA MARIS**

2300 DULANEY VALLEY ROAD  
TIMONIUM, MD 21093

GROUND FLOOR

1/16" = 1'-0"

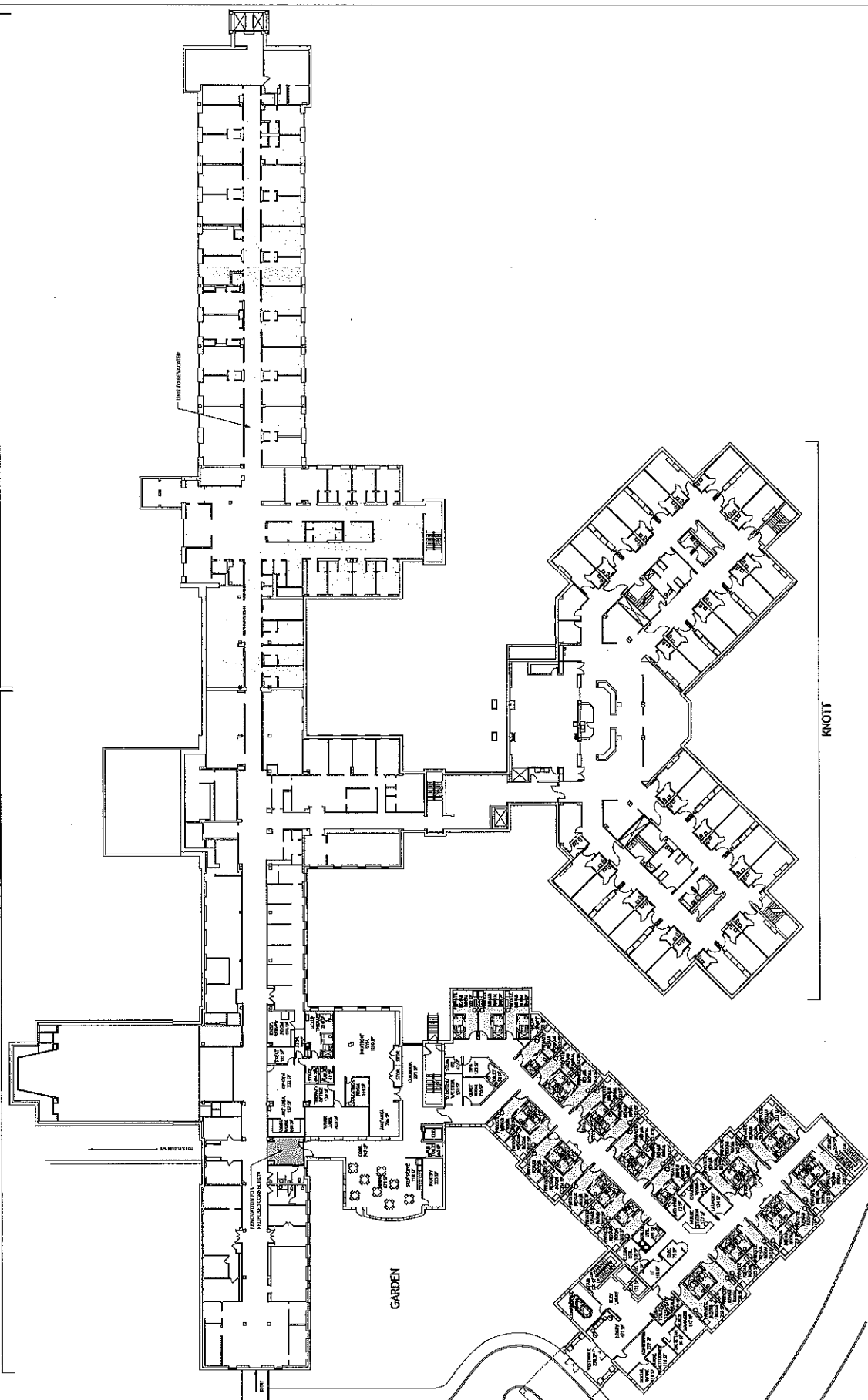
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4.6.2016



PANGBORN

SHEHAN



STELLA MARIS  
2300 DULANEY VALLEY ROAD  
TIMONIUM, MD 21083

FIRST FLOOR  
1/16" = 1'-0"  
4.6.2016

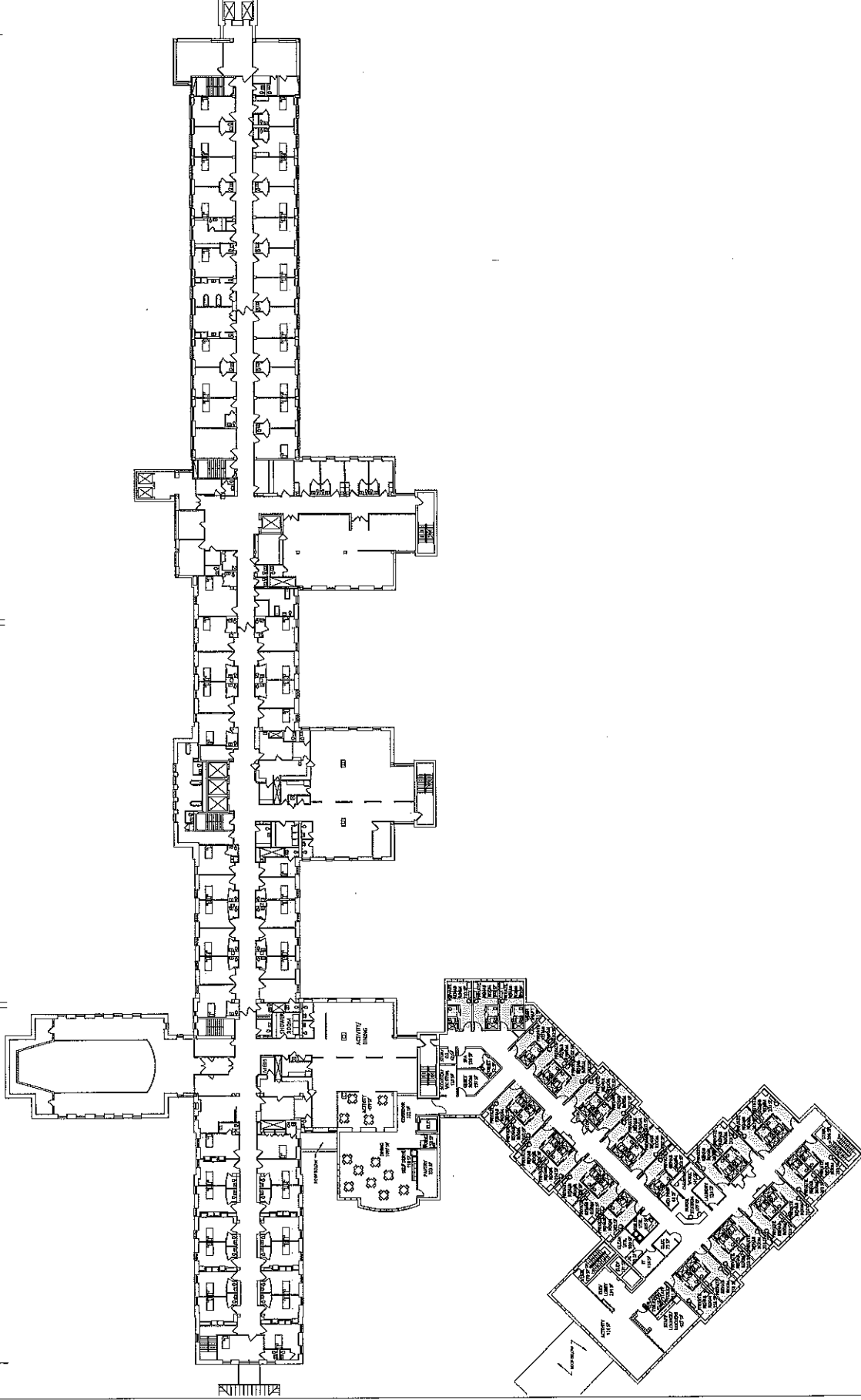
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SHEWAN

CENTRAL

PANGBORN



**STELLA MARIS**

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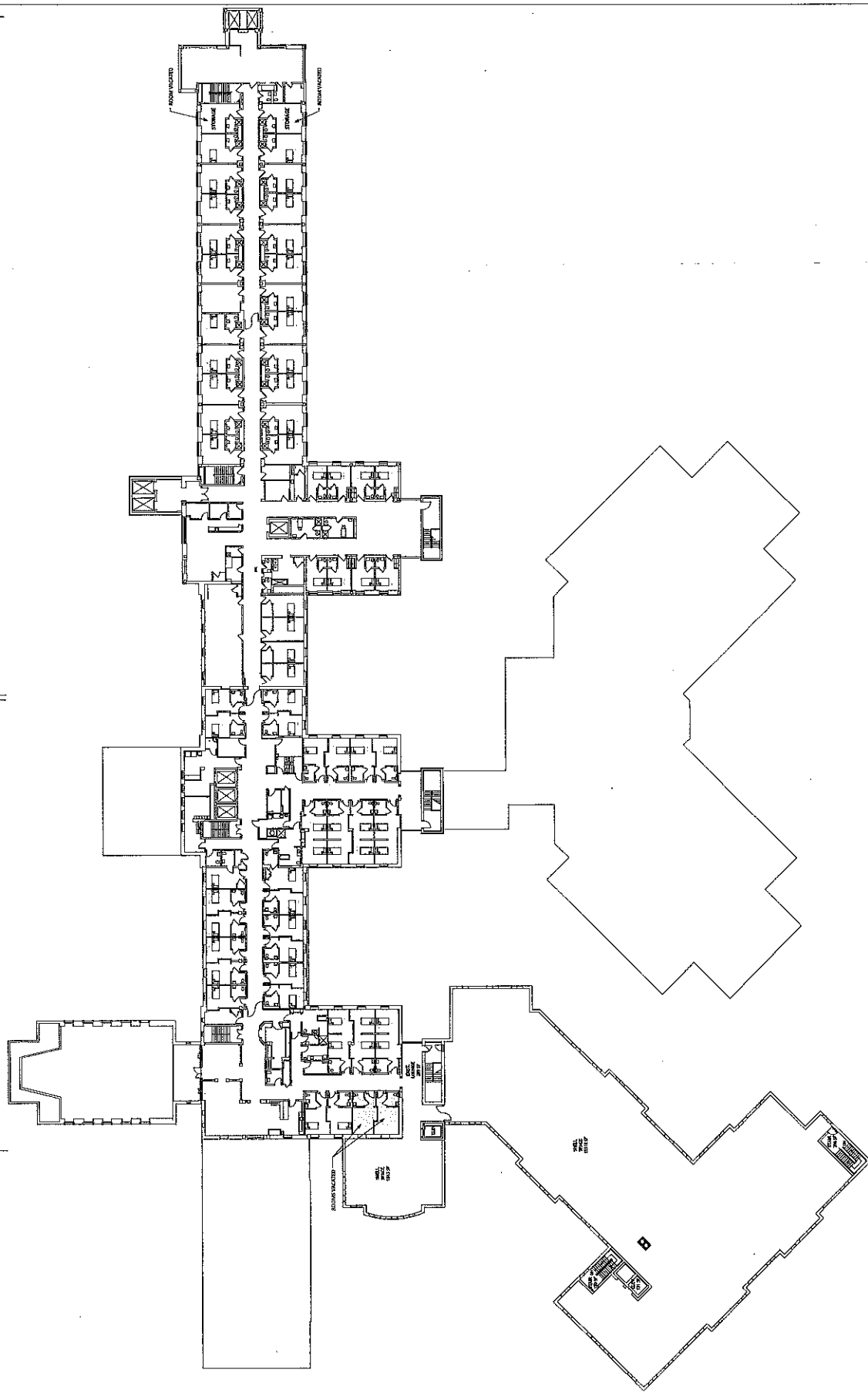
SECOND FLOOR

hord | coplan | macht

1/16" = 1'-0"  
4.6.2016

PANGBORN

SHEHAN



THIRD FLOOR

hord | coplan | machi

1/16" = 1'-0"

4.6.2016

c 2nd

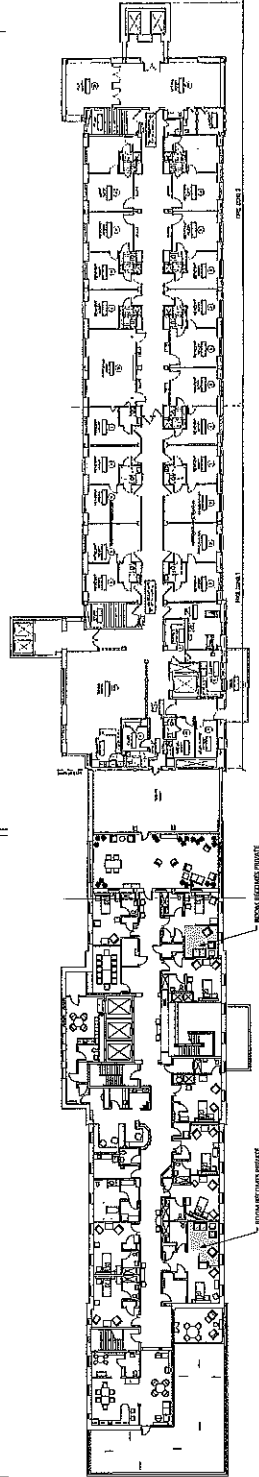
STELLA MARIS

2300 DULANEY VALLEY ROAD

TIMONIUM, MD 21093

CENTRAL

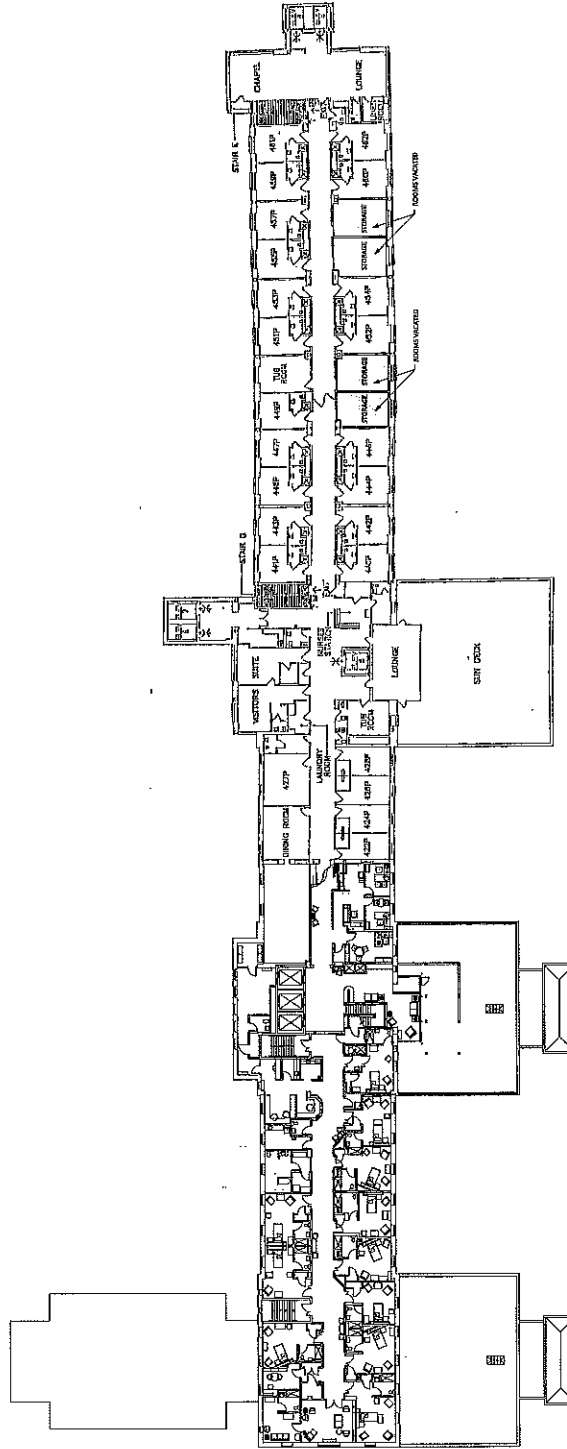
PANGBORN



FIFTH FLOOR

SHEHAN

PANGBORN



FOURTH FLOOR

**STELLA MARIS**

2300 DULANEY VALLEY ROAD  
TIMONIUM, MD 21083

FOURTH & FIFTH FLOOR

hord | coplan | macht

1/16" = 1'-0"

4.6.2016