

**IN THE MATTER OF**  
**SACRED HEART HOME**  
**Docket No. 17-16-2411**

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

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**Staff Report and Recommendation**

**April 19, 2018**

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## **I. INTRODUCTION**

### **A. The Applicant**

Sacred Heart Home, Inc. (“SHH”) is an existing 102-bed comprehensive care facility (or nursing home) located on an eight-acre campus at 5805 Queens Chapel Road in Hyattsville (Prince George’s County). SHH is owned and operated by the Sisters Servants of Mary Immaculate (“SSMI”), a religious order of the Roman Catholic Church. SHH states that its “shared mission” with SSMI is to “promote the highest quality of care and spiritual values with regard to human life and dignity, according to the teachings of the Roman Catholic Church.” (DI #3, p. 7).

The oldest component of Sacred Heart Home was constructed in 1926 as living quarters for sisters attending Catholic University in Washington, D.C. The building was expanded in 1963 with the addition of a building wing and third floor. The resulting L-shaped concrete and brick structure contains approximately 58,000 square feet (“SF”), with three floors plus a basement. The 102-bed facility has three semi-private patient rooms and 96 private patient rooms. (DI #3, Exh. 2, Table CA). Only one patient room has a private toilet, four have shared toilets, and the rest rely on a public toilet room. All residents use communal bathing facilities. Each of the three residential floors has a central nursing station.

SHH was transferred to SSMI in 1998 by the founding order, the Missionary Sisters Servants of the Holy Spirit (MSSHS). SSMI also operates St. Joseph’s Nursing Home in Catonsville (Baltimore County).

Sacred Heart Home became a Medicaid-certified nursing home in 1974. It is not a Medicare participating provider. Its quality record is above average, meeting or exceeding the State’s average in nursing home performance on eight key quality measures, and ranking lower on two.

### **B. The Project**

Sacred Heart Home seeks to build a 60,242 SF replacement facility on its existing campus which will reduce the number of licensed comprehensive care facility (“CCF”) beds from 102 to 44. The existing building will be demolished following relocation to the new building. St. Joseph’s Nursing Home, SSMI’s 44-bed facility in Catonsville, is the model used for the design of the new facility. The building will be single-story, plus a partial basement for ancillary and support services. Resident housing will consist of four “pods” of 11 rooms each, surrounding a central courtyard. All rooms will be private rooms with private baths. Each pod will have its own nursing station and common area. There will be two kitchen/dining areas, and space for other services, such as physical and occupational therapy, a beauty salon, conference space, chapel, and administrative area. The floor plans are included as Appendix 3. (DI #3, p. 5-9, 28).

The estimated total project costs are \$19,219,869, including \$16,352,059 for new construction, \$1,631,780 in other capital costs, an inflation allowance of \$901,030, and financing and other cash requirements of \$335,000. The applicant expects to fund this project with a

mortgage loan of \$7,219,868, a \$4,000,000 interest-free loan from SSMI, and \$8,000,000 in cash. (DI #10, Exh. 1, Table C).

This application is somewhat unique, as it comes from an existing nursing home which seeks to downsize its replacement facility from 102 beds to 44 beds despite a very high historical occupancy rate. The average bed occupancy rate at SHH over the four-year period of 2012 through 2016 was 95.6%. The rationale for downsizing is rooted in the mission of SSMI and SHH. The number of new sisters joining the order has declined but the order is committed to providing care through the work of members of the order. The applicant states that it wishes to continue to provide the level of care and individual attention SHH currently offers, but also “ensure that the Sisters have adequate time to fulfill well their religious...responsibilities.” (DI #10, p. 2-3).

### C. Summary of Recommendation

Staff recommends approval of this proposed project based on staff’s conclusion that it complies with the applicable standards in COMAR 10.24.08, the State Health Plan for Facilities and Services (“State Health Plan”): Nursing Home Services (“Nursing Home Chapter”), as well as the review criteria at COMAR 10.24.01.08G(3). A summary of the basis for this recommendation follows in Table I-1.

**Table I-1: Summary of MHCC Staff Findings Regarding the SHH CON Application**

Standard/Criteria	Findings
<b>Quality</b>	Based on surveys conducted by CMS and OHCQ, results of which are listed in MHCC’s Consumer Guide to Long Term Care, the applicant has a history of providing quality care on the majority of metrics reviewed by Staff.
<b>Need and Capacity</b>	<p>The proposal would reduce the CCF bed inventory of Prince George’s County by 58 beds, bringing the total bed count closer to the projected CCF bed need for this jurisdiction</p> <p>The applicant has maintained a high level of bed occupancy. However, the applicant states that natural attrition over the project’s implementation time frame and limiting new admissions will result in no residents needing to transfer to other facilities.</p> <p>The project will provide a modern, code-compliant facility, improving the quality of life for the resident population.</p>
<b>Cost Effectiveness</b>	The applicant demonstrated a detailed consideration of alternatives, including renovation of the existing facility. The cost of that option would be very similar to that of the proposed new building, but would not satisfactorily address all of the existing operational issues faced in the existing facility.
<b>Financial Feasibility and Viability</b>	<p>SHH is an experienced nursing home operator. It has demonstrated the ability to finance this project through a combination of cash, a no interest loan, and a mortgage loan.</p> <p>The financial statements provided by SHH indicate that the facility will remain profitable, even if the target payor mix is not realized. The daily room rates for private pay residents will increase due to having all private rooms; however, the stated rate will be significantly lower than the prevailing rate in the area (Washington, D.C. metropolitan area) (DI #10, p.8). Its utilization projections and revenue and expense assumptions are reasonable with respect to facility viability.</p>

<b>Impact</b>	The proposed project uses existing beds already in the MHCC inventory. The project will result in a 58-bed net reduction in licensed bed inventory. Prince George's County has a projected surplus of beds, and the project will reduce that surplus.
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Based on its conclusions, staff recommends **APPROVAL** of the applicant's request for a CON with the following conditions:

1. At the time of first use review, Sacred Heart Home, 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. Sacred Heart Home, 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).

## **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.

### **C. Community Support**

The Maryland Health Care Commission received nine letters of support for this nursing home replacement project. One letter was received directly by MHCC from the Reverend Michael K. Barth. (DI #2). Eight others were submitted with the application.

Andres Salazar, M.D., C.M.D., Medical Director of SHH, noted that the project will result in improvements to the environment of care to be realized through the project, the resulting benefits to the residents' quality of life, and improvements in the provision of care. Kevin D. Heffner, President and C.E.O. of LifeSpan Network, wrote of the lengthy relationship between SHH and LifeSpan, and the high level of care and compassion SHH provides for its residents. Reverend Paul Dressler, Rector of Capuchin College, Brother Loughlan Sofield, Director of Father Judge Missionary Cenacle, and Brother Ignatius Perkins, Director of Dominican Friars Health Services, each spoke about the high levels of care and service provided to more than a dozen of their respective members over the last several years.

Clifford J. Sturek and Dorothy E. Sturek of Silver Spring spoke to the care received by Mrs. Sturek’s sister at SHH being “above and beyond what is often seen,” but stressed the need to modernize the facility through replacement to assist the staff in providing the best possible care and improving their lives. Patricia O’Rourke, of Arlington, Virginia, a caregiver for a former resident, spoke highly of the care provided by SHH. She stated that the new facility would allow SHH to provide the comfort and care a person deserves. (DI #3, Exh. 10)

**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 in this review is COMAR 10.24.08, the 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, respectively.

**COMAR 10.24.08.05A Nursing Home Standards – General Standards**

#### COMAR 10.24.08.05A General Standards.

##### (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.*

The applicant submitted its letter of intent on September 21, 2017 to submit a CON application to construct a replacement facility and reduce licensed bed capacity from 102 to 44 beds. The most recent bed need projections were published in the *Maryland Register* on April 29, 2016 and projected no need for additional CCF beds in Prince George’s County, as shown below.

**Table III-1: CCF Bed Need Projection for Prince George’s 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
2,817	0	150	35	3,002	2,817	-185	169	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 Prince George’s County. This project would *remove* 58 beds from the licensed bed inventory, reducing the total licensed bed inventory to 2,759 beds from that in place at the time the most recently published CCF bed need projections.

**(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.***

SHH does not have a Memorandum of Understanding (“MOU”) with the Medical Assistance Program (“Medicaid”). The facility predates the establishment of this requirement and this is SSH’s first CON application. SHH stated that it currently participates with Medicaid and will execute an MOU with Medicaid that meets the requirements of this standard prior to seeking First Use Review. (DI #3, p. 16).

***(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 Medicaid rate for nursing homes in Prince George’s County is 39.94%, whereas the rate for the Southern Maryland region is higher, at 43.23%.<sup>1</sup> In 2016, Medicaid was the payor for 77.7% of the total patient days provided by SHH. In concert with an increase in self-pay demand, SHH projections indicate a reduction in its proportion of Medicaid patient days to 65.1% in 2020 and 41.6% by 2023. While this reduction is a significant change, the projected participation would meet the current requirement, which is the lower of the jurisdictional or regional percentage of Medicaid patient days. (DI #10, Exh. 1, Table F).

***(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.***

SHH agrees to continue admitting Medicaid residents to maintain the required level of participation and sign an MOU with MDH. (DI #3, p. 16).

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<sup>1</sup> “Required Maryland Medical Assistance Participation Rates for Nursing Homes by Region and Jurisdiction,” 44:7 *Maryland Register* (March 31, 2017). The file may be accessed at; [http://mhcc.maryland.gov/mhcc/pages/hcfs/hcfs\\_shp/documents/shp\\_nursing\\_home\\_\\_2015\\_medicaid\\_part\\_rate\\_20170331.pdf](http://mhcc.maryland.gov/mhcc/pages/hcfs/hcfs_shp/documents/shp_nursing_home__2015_medicaid_part_rate_20170331.pdf)

- (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 states that it will execute an MOU with the Medicaid program prior to licensure of the additional beds. (DI #3, p. 16).

Staff recommends the following standard conditions be attached to any approval for this CON application, as follows:

- (1) At the time of first use review, Sacred Heart Home, 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) Sacred Heart Home, 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).

**(3) Community-Based Services**

***An applicant shall demonstrate commitment to providing community-based services and to minimizing the length of stay as appropriate for each resident by:***

- (a) ***Providing information to every prospective resident about the existence of alternative community-based services, including, but not limited to, Medicaid home and community-based waiver programs and other initiatives to promote care in the most appropriate settings.***

SHH states that it complies with this standard and provided examples of material it distributes to prospective residents about the existence of alternative community-based services, including all those listed in the standard. (DI #3, p.17 and Exh. 5).

- (b) ***Initiating discharge planning on admission; and***

The applicant states that it initiates discharge planning upon admission as part of its Resident Care Plan development process. (DI #3, p. 17).

- (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.*

The applicant states that it “permits access to the facility for all Olmstead efforts approved by the Department of Health and Mental Hygiene to provide education and outreach for residents and their families.” (DI #3, p.17).

The applicant complies with all aspects of this standard.

**(4) Nonelderly Residents**

*An applicant shall address the needs of its nonelderly (<65 year old) residents by:*

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

SHH states that requests for admission from non-elderly persons are not common. SHH does not participate in Medicare, and residents typically are there for long term and end-of-life care. Nonetheless, SHH states that it will address the needs of non-elderly persons who might seek admission as required by the standard.

SHH notes that it provides in-service education for staff in consultation with local hospitals and social service agencies. SHH maintains relationships with area resources to ensure availability of vocational rehabilitation services for potential non-elderly residents. SHH also provides wireless Internet access to residents.

SHH states that it initiates an initial care plan immediately following admission, and discharge planning is discussed with the goal of limiting stays to 90 days or less. Potential for discharge is documented in the plan. (DI #3, p.17).

Sacred Heart Home’s current practices meet this standard.

**(5) Appropriate Living Environment**

*An applicant shall provide to each resident an appropriate living environment, including, but not limited to:*

- (a) In a new construction project:*
  - (i) Develop rooms with no more than two beds for each patient room;*
  - (ii) Provide individual temperature controls for each patient room; and*
  - (iii) Assure that no more than two residents share a toilet.*

As illustrated in Table III-2 below, there are currently 96 private and 6 semi-private beds available. Only one bedroom has a private toilet, and four have shared toilets. The rest rely on a public toilet room. All residents use communal bathing facilities. The building relies on an out-of-date boiler system for heating and window air conditioners for cooling.

The project will result in a new facility with all private rooms, each with its own private bathroom and climate control.

Table III-2: Current & Proposed Sacred Heart Home Bed Configuration

Unit	Current					Post-Project				
	Floor	Licensed Beds	Private Rooms	Semi-Private	Total Rooms	Floor	Licensed Beds	Private	Semi-Private	Total Rooms
1	--	27	27	0	27	1	44	44	0	44
2	--	37	35	1	36					
3	--	38	26	6	32					
Total	--	102	88	7	95	--	44	44	-0	44

Source: DI #3, Exh. 2, Table A

- (b) *In a renovation project:*
- (i) *Reduce the number of patient rooms with more than two residents per room;*
  - (ii) *Provide individual temperature controls in renovated rooms; and*
  - (iii) *Reduce the number of patient rooms where more than two residents share a toilet.*
- (c) *An applicant may show evidence as to why this standard should not be applied to the applicant.*

Sections (b) and (c) are not applicable to this project. Nonetheless, as noted, this project will produce a modern CCF, correcting the deficiencies and obsolescence of the current facility.

**(6) Public Water**

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

SHH states that the facility is currently served and the replacement facility will be served by a public water system. Thus, it meets this standard.

**(7) Facility and Unit Design**

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

- (a) *Identification of the types of residents it proposes to serve and their diagnostic groups;*
- (b) *Citation from the long term care literature, if available, on what types of design features have been shown to best serve those types of residents.*

SHH noted its desire to avoid an outmoded traditional, institutional design. SHH typically cares for long-term or permanent residents with needs that fall between those provided by acute care and assisted living facilities. It states that

SHH is aware of changes in the philosophy of nursing home design and invited architects to propose innovative options in the design of the new facility. After several presentations, and considerable discussion, SHH chose the household model as providing the residents with a ‘warmer’ stay. (DI #3, p. 18).

As SHH mentions in its application, it has been a top performer in Maryland’s Nursing Facility Pay for Performance program. It is ranked third in the state for 2017, a strong indication of SHH’s focus on quality of care and patient and family satisfaction. (DI #3, p.8).

SHH has developed its design using aspects of “The Green House Model” and “The Eden Alternative” and modeled the facility after its sister facility, St. Joseph’s Nursing Home in Catonsville. The design utilizes what SHH refers to as “households” that, when combined, form a “community.” In SHH’s proposal, the “community” of 44 private rooms is divided into four “households” of 11 residents. Each resident will have a private bedroom and bathroom that meets current requirements and standards. Two groupings of two households each share dining, nursing, and common spaces.

All residents will share rehabilitation, salon, and multi-purpose room spaces. There will be a chapel and a central landscaped courtyard. A partial lower level will house a central kitchen, laundry, staff lounge and lockers, storage, and mechanical and electrical spaces. (DI #3, pp. 19-20).

Staff concludes that the applicant has complied with the design requirements of this standard.

**(8) Disclosure**

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

SHH 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 # 3, p. 20).

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.*

Sacred Heart Home is an existing provider that collaborates with other providers of long-term care. SHH notes its collaboration with hospitals on residents’ care, and that it receives referrals and transfers from Adventist HealthCare Washington Adventist Hospital, University of Maryland Prince George’s Hospital Center, Providence Hospital, Doctors Community Hospital, and Holy Cross Hospital of Silver Spring. SHH also receives admission referrals and occasionally transfers of residents from assisted living/senior living centers. The applicant also maintains relationships with numerous churches and schools that provide volunteers to assist in provision of care. It works with the following home health agencies: Holy Cross Home Health; Adventist Home Health Care; and Maryland Home Care for You. SHH utilizes contractual arrangements to provide mental health, podiatric, ophthalmic, dental, and other services. (DI #3, p. 20; DI #10, p.4).

Staff concludes that the applicant has met this standard.

**COMAR 10.24.08.05B. New Construction or Expansion of Beds or Services.**

**(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.*

The applicant is proposing to construct a down-sized replacement facility on its existing eight-acre site. Prince George’s County is currently identified as having a surplus of beds. The current building will be demolished following completion of the replacement facility.

SHH provided data on its bed occupancy rate from 2012 through 2016 (replicated below), indicating a relatively high bed occupancy rate throughout this period.

**Table III-3: Beds, Potential Days, Patient Days, Bed Occupancy - Sacred Heart Home 2012-2016**

	2012	2013	2014	2015	2016
<b>Beds</b>	102	102	102	102	102
<b>Potential Days</b>	37,230	37,230	37,230	37,230	37,230
<b>Actual Patient Days</b>	36,058	35,088	35,950	35,897	35,045
<b>Average Annual Occupancy Rate</b>	96.9%	94.2%	96.6%	96.4%	94.1%

Sources: MHCC Public Use Database; DI #3, p. 22

SHH points out that the Maryland Department of Planning projects continuing population growth in Prince George’s County through 2025. From Table III-4, below, the growth rate for the population age 65 and older between 2015 and 2025 is calculated to be 45.7%,.

**Table III-4: Population by Age Cohort, Prince George's County 2010 – 2025**

Age Group	2010	2015	% Change 2010-2015	2020	% Change 2015-2020	2025	% Change 2020-2025
0-4	58,564	60,380	3.1%	57,488	-4.8%	58,690	2.1%
5-19	177,844	174,398	-1.9%	172,141	-1.3%	173,509	0.8%
20-44	320,316	331,432	3.5%	326,069	-1.6%	324,486	-0.5%
45-64	225,183	235,514	4.6%	233,785	-0.7%	229,600	-1.8%
65+	81,513	104,128	27.7%	126,659	21.6%	151,738	19.8%
Total	863,420	905,852	4.9%	916,142	1.1%	938,023	2.4%

Source: Maryland Department of Planning, August 2017 projection series

According to the 2015 MHCC Long Term Care Survey, Prince George's County's overall CCF bed occupancy rate was 93.3% in FY 2014 and 91.6% in 2015, compared to the statewide occupancy rate of 89.0%. SHH's plan to reduce the number of available beds will most likely lead to slightly increased demand on other area facilities, marginally increasing their occupancy rates. SHH does not foresee the need to relocate residents from SHH, citing its admission and discharge statistics and stating that "consistent natural attrition of residents" will obviate any need to transfer residents. (DI #10, p. 4).

Staff reviewed occupancy rates, shown in Table III-5 below, for licensed nursing homes in the jurisdiction and found that 15 of 19 facilities had average annual occupancy rates of 90% or higher in FY 2016.<sup>2</sup>

**+Table III-5: Licensed CCF Beds, Patient Days, and Bed Occupancy Prince George's County FY 2016**

Facility	Licensed Beds	Beds X 366 (Potential Bed Days)	Total Patient Days	% Occupancy
Clinton Nursing & Rehab	267	97,722	92,670	94.8%
St. Thomas More Medical Complex	270	97,780	96,255	98.4%
Hillhaven Assisted Living Nursing & Rehabilitation	66	24,156	22,413	92.7%
Doctors Community Rehabilitation and Patient Care	130	47,580	45,444	95.5%
Manor Care Health Services - Adelphi	170	62,220	46,743	75.1%
Manor Care Health Services- Hyattsville	160	58,560	51,767	88.3%
Forestville Health & Rehabilitation Center	162	59,292	57,276	96.5%
Sacred Heart Home	102	37,332	35,045	93.8%
Genesis Bradford Oaks Center	180	65,880	60,526	91.8%
Villa Rosa Nursing Home	107	39,162	36,684	93.6%
Manor Care Health Services - Largo	130	47,580	43,789	92.0%
Patuxent River Health and Rehabilitation Center	153	55,998	48,622	86.8%
Fort Washington Health Center	150	54,900	52,180	95.0%
FutureCare-Pineview	180	65,880	61,155	92.8%
Cherry Lane Nursing Center	155	56,730	51,659	91.0%

<sup>2</sup> Note that facilities may have different end of fiscal year dates.

Collington Episcopal Life Care Community	44	16,104	13,541	84.0%
Genesis Larkin Chase Nursing and Restorative Center	120	43,920	41,539	94.5%
Genesis Crescent Cities Center	140	51,240	48,597	94.8%
Riderwood Village	117	42,822	40,794	95.2%
Total	2,803	<b>1,024,858</b>	<b>946,699</b>	<b>92.3%</b>

Source: MHCC 2016 LTC/MCR/Occupancy Report – ‘Preliminary Data’

*(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 applicant is seeking to construct a replacement facility adjacent to its existing nursing home, on the same eight-acre site; therefore, this section is not applicable.

Staff concludes that this standard has been met.

**(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.*

This standard is not applicable. The applicant is not seeking to expand the facility.

**(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.*

This section is not applicable. SHH is not a new nursing home.

**(4) Medical Assistance Program Participation.**

*(a) An applicant for a new nursing home must agree in writing to serve a proportion of Medicaid residents consistent with .05A 2(b) of this Chapter.*

***(b) An applicant for new comprehensive care facility beds has three years during which to achieve the applicable proportion of Medicaid participation from the time the facility is licensed, and must show a good faith effort and reasonable progress toward achieving this goal in years one and two of its operation.***

Neither of these sections apply, as SHH is not a new nursing home.

***(c) An applicant 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.***

This section is not applicable. SHH is not seeking to expand.

***(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.***

The applicant's response to COMAR 10.24.08.05A(2) states that it currently participates in the Medicaid program and will execute an MOU with the Maryland Medical Assistance Program that meets the requirements of this standard prior to seeking First Use Review. (DI #3, p. 16). The applicant meets this standard.

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

This section is not applicable.

##### **(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.***

This standard does not apply to this review, as SHH is not seeking an expansion. Nonetheless, SHH states that it had no outstanding Level G or higher deficiencies, noting that it had a five-star quality rating and a five-star overall rating from Medicare's Nursing Home Compare as of June 2016.<sup>3</sup> The applicant also states that SHH ranked third in the state in 2017 on Maryland's Nursing Facility Pay for Performance program, another indication of its focus on quality of care and patient and family satisfaction. (DI #3, p. 8).

Staff has also made it a practice to comment on quality beyond the narrow 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 and listed in MHCC's *Consumer Guide to Long Term Care*. SHH's results, shown in Table

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<sup>3</sup> As of April 11, 2018, Nursing Home Compare also shows a five-star overall rating for this CCF.

III-6 below, are strong, as the facility matched or bettered the Maryland average on 8 of the 12 measures profiled, with two (short-stay) indicators being “not applicable” (because SHH does not serve “short stay” residents) and two others lower than the Maryland average.

**Table III-6: Summary of SHH Quality Measures**

Quality Measure	MD Avg	Sacred Heart Home
<b>Falls</b>		
Long-stay residents that did not fall and sustain a major injury (1)	97%	99%
<b>Pain</b>		
Long-stay residents who do not report moderate to severe pain. (3)	96%	100%
Short stay residents who did not have moderate to severe pain. (15)	88%	100%
<b>Pressure ulcers</b>		
High risk long-stay residents without pressure sores. (4)	93%	95%
Short stay residents that did not develop new pressure ulcers or with pressure ulcers that stayed the same or got better. (16)	99%	83%
<b>Vaccinations</b>		
Long stay residents assessed and given influenza vaccination during the flu season. (10)	95%	100%
Short stay residents assessed and given influenza vaccination during the flu season. (17)	84%	58%
<b>Restraints</b>		
Percent of long-stay residents who were not physically restrained. (7)	100%	100%
<b>Deficiencies</b>		
Number of Health deficiencies cited in the most recent annual OHCQ health inspection (2016-2017).	11.5	7
<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.)	8.1	9.4
Percentage of long term residents/family who responded "Yes" to "Would you recommend the Nursing Home?"	86%	98%

Source CMS Nursing Home Compare, as reported on MHCC's website: data collected 10.01.2016-09.30.2017  
[https://mhcc.maryland.gov/consumerinfo/longtermcare/Nursing\\_Home/Users/FacilityProfile.aspx?FacId=03030](https://mhcc.maryland.gov/consumerinfo/longtermcare/Nursing_Home/Users/FacilityProfile.aspx?FacId=03030)

**(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.*

This standard does not apply. SHH is proposing to build the replacement facility on the same campus.

## **GENERAL CERTIFICATE OF NEED REVIEW CRITERIA (COMAR 10.24.01.08G3)**

Staff's review of the project's status with respect to 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.***

There is an applicable need analysis in the State Health Plan ("SHP"). As previously noted, the SHP identifies a bed surplus in Prince George's County. This proposed project would eliminate CCF beds from the jurisdiction's bed inventory. If the application is approved, the County's CCF bed surplus will be reduced by 58 beds.

### **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.***

No competitive applications were filed; thus, this is not a competitive review.

SHH states that it considered renovating the facility, but that option was determined to be too costly to justify. The renovation process would create numerous issues. Among them, it would disrupt the facility during construction, it would not solve several operational/functional deficiencies, and it would not bring the facility up to current life safety and building codes. Additionally, not included in the renovation estimate cited below is a \$5 million estimated cost for replacing the existing heating system. (DI #3, p.27).

The summary of the applicant's analysis included the following:

The initial [renovation] estimate of \$14 million was conservative and was being compared to the cost of a smaller new facility with an integral Convent. The estimate did not include the cost of replacing the boiler or making County required ADA [Americans with Disabilities Act] and life safety code changes. The new program is estimated at \$16 million, but once items above are factored in, renovating the existing 100-year-old facility would exceed the initial estimate of \$14 million and not provide the care for residents that a new facility provides under the new code. Furthermore, reducing the number of patients in a large, inefficient building would result in higher operating costs. Assuming the

debt required, to choose the renovation option would not be worth it, given the resulting facility.  
(DI #10, p. 2).

Regarding the replacement facility proposed, the applicant performed a construction cost analysis utilizing the Marshall Valuation Service (“MVS”) methodology. The calculations provided by the applicant resulted in a benchmark MVS cost of \$260.28 per SF, and a SHH project cost estimate of \$253.36, which would be \$6.92 (2.6%) per SF lower than the benchmark. (DI #10, Exh. 2).<sup>4</sup>

The project is modeled after the existing St. Joseph’s Nursing Home, a 44-bed sister facility that is financially viable. Given the surplus of beds in Prince George’s County, the lack of alternative applications, and the reasonable cost estimate for the proposed construction, staff concludes that the proposed project is a cost-effective alternative for meeting SHH’s objectives of providing a modern facility designed to meet the needs of its residents and staff.

#### **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 the SHH project is \$19,219,869, including \$16,352,059 for new construction, \$1,631,780 in other capital costs, an inflation allowance of \$901,030, and \$335,000 for financing and other cash requirements. The applicant expects to fund this project with a mortgage loan of \$7,219,869, a \$4,000,000 interest-free loan from the Sisters Servants of Mary Immaculate, and \$8,000,000 cash. (DI #10, Exh. 1, Table C).

SHH included a letter from Shippen Brown of Bellwether Enterprise Real Estate Capital indicating confidence that Bellwether would be able to offer SHH a mortgage or HUD-insured loan. (DI #3, Exh. 9). SHH also provided: a statement from Sister Donna Zielinska, SSMI Provincial Superior, indicating SSMI’s intent to provide the interest-free loan; and a letter from James Crisp, C.P.A., attesting to SHH’s financial statements, the fact that SHH has no outstanding loans or mortgages, and providing assurance that SHH has the ability to fund the cash outlay for the project. (DI #3, Exh. 5)

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<sup>4</sup> See Appendix 2 for a more detailed explanation of how the MVS guidelines are used in analysis of the reasonableness of construction cost estimates.

Table III-7 below outlines the costs and sources of funds for the proposed project.

**Table III-7: Project Budget Estimate – Uses and Sources of Funds**

<b>A. Uses of Funds</b>	
<b>New Construction</b>	
Land Purchase	--
Building	\$9,543,985
Fixed Equipment	435,863
Site Preparation	5,175,556
Architect/Engineering Fees	1,136,655
Permits	60,000
<b>Subtotal – New Construction</b>	<b>\$16,352,059</b>
<b>Other Capital Costs</b>	
Movable Equipment	\$200,000
Contingencies	1,144,644
Interest	287,136
Inflation Allowance	901,030
<b>Subtotal - Other Capital Costs</b>	<b>\$2,532,810</b>
<b>TOTAL CAPITAL COSTS</b>	<b>\$18,884,869</b>
<b>Financing and other Cash Requirements</b>	
Loan Fees	\$300,000
Legal Fees	25,000
Other Application Assistance	10,000
<b>Subtotal – Non-Current Capital Costs</b>	<b>\$335,000</b>
<b>Total Uses of Funds</b>	<b>\$19,219,869</b>
<b>B. Sources of Funds</b>	
Cash	\$8,000,000
Mortgage	7,219,869
Interest Free Loan (SSMI)	4,000,000
<b>Total, Sources of Funds</b>	<b>\$19,219,869</b>

Source: (DI #10, Exh. 1, Table C)

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

**(a) Finances**

Tables III-8 and III-9 summarize the applicant’s performance projections for the project. Revenue and expense figures are expressed in current dollars.

**Table III-8 Key Utilization and Operating Statistics - Sacred Heart Home**  
*For the years 2015 through 2023*

	Actual		Projected						
	2015	2016	2017	2018	2019	2020	2021	2022	2023
Licensed Beds	102	102	102	102	102	102	102	44	44
Admissions	24	43	42	40	40	15	10	13	13
Patient Days	35,897	35,045	32,823	32,823	32,762	28,902	20,666	15,739	15,738
Occupancy Rate	96.4%	94.1%	88.2%	88.2%	88.0%	77.6%	55.5%	98.0%	98.0%
<b>Payor Mix (% of Revenue)</b>									
Medicare	0	0	0	0	0	0	0	0	0
Medicaid	81.4	77.3	80.5	80.5	75.1	65.1	65.1	51.6	41.6
Self-Pay	18.6	22.7	19.5	19.5	24.9	34.9	34.9	48.4	58.4
<b>Payor Mix (% of Patient Days)</b>									
Medicare	0	0	0	0	0	0	0	0	0
Medicaid	81.3	77.7	80.7	80.7	75.0	65.0	65.0	60.0	50.0
Commercial Insurance	0	0	0	0	0	0	0	0	0
Self-Pay	18.7	22.3	19.3	19.3	25.0	35.0	35.0	40.0	50.0
Hospice	0	0	0	0	0	0	0	0	0
<b>Revenues, Expenses, and Profits</b>									
Gross Revenue per Patient Day	\$250.54	\$258.2	\$251.5	\$251.55	\$255.2	\$255.1	\$255.1	\$260.5	\$269.6
Net Revenue per Patient Day	\$249.62	\$249.9	\$251.5	\$251.55	\$255.2	\$255.1	\$255.1	\$260.5	\$269.6
Expense per Patient Day	\$235.94	\$232.0	\$247.0	\$247.05	\$247.4	\$250.7	\$263.5	\$252.5	\$252.2
Operating Income per Patient. Day	\$13.69	\$17.87	\$4.50	\$4.50	\$7.74	\$4.38	(\$8.33)	\$8.01	\$17.41

Source: DI #10, Exh. 1, Tables D, E, and F

**Table III-9: Revenue and Expense Statement Sacred Heart Home for the years 2016 through 2023**

	2016 actual	2017 projected	2018 projected	2019 projected	2020 projected	2021 projected	2022 projected	2023 projected
<b>REVENUE</b>								
Gross Patient Revenue	\$9,050,867	\$8,256,586	\$8,256,586	\$8,361,069	\$7,373,677	\$5,273,491	\$4,100,738	\$4,243,280
Contractual Allowance	\$293,146	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Patient Services Revenue	\$8,757,721	\$8,256,586	\$8,256,586	\$8,361,069	\$7,373,677	\$5,273,491	\$4,100,738	\$4,243,280
Other Operating Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>NET OPERATING REVENUE</b>	<b>\$8,757,721</b>	<b>\$8,256,586</b>	<b>\$8,256,586</b>	<b>\$8,361,069</b>	<b>\$7,373,677</b>	<b>\$5,273,491</b>	<b>\$4,100,738</b>	<b>\$4,243,280</b>
<b>EXPENSES</b>								
Salaries & Wages (incl. benefits)	\$4,785,786	\$4,785,786	\$4,785,786	\$4,785,786	\$4,261,566	\$3,177,432	\$2,288,672	\$2,288,672
Contractual Services	\$1,559,880	\$1,559,880	\$1,559,880	\$1,559,880	\$1,377,210	\$987,452	\$627,674	\$627,674
Interest on Project Debt	\$0	\$0	\$0	\$0	\$0	\$0	\$280,417	\$274,990
Current Depreciation	\$202,848	\$202,848	\$202,848	\$202,848	\$202,848	\$202,848	\$50,000	\$50,000
Project Depreciation	\$0	\$0	\$0	\$0	\$0	\$0	\$402,550	\$402,550
Project Amortization	\$0	\$0	\$0	\$0	\$0	\$0	\$6,383	\$6,383
Other Expenses	\$1,582,835	\$1,560,382	\$1,560,382	\$1,558,827	\$1,405,381	\$1,077,976	\$318,983	\$318,983
<b>TOTAL OPERATING EXPENSES</b>	<b>\$8,131,349</b>	<b>\$8,108,896</b>	<b>\$8,108,896</b>	<b>\$8,107,341</b>	<b>\$7,247,005</b>	<b>\$5,445,707</b>	<b>\$3,974,678</b>	<b>\$3,969,251</b>
<b>INCOME</b>								
Operating Income	\$626,372	\$147,690	\$147,690	\$253,728	\$126,672	-\$172,216	\$126,060	\$274,029
Non-Operating Income	\$264,103	\$210,979	\$210,979	\$210,979	\$196,618	\$184,922	\$118,005	\$118,005
<b>SUBTOTAL</b>	<b>\$890,475</b>	<b>\$358,669</b>	<b>\$358,669</b>	<b>\$464,707</b>	<b>\$323,290</b>	<b>\$12,706</b>	<b>\$244,065</b>	<b>\$392,034</b>
Income Taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>NET INCOME (LOSS)</b>	<b>\$890,475</b>	<b>\$358,669</b>	<b>\$358,669</b>	<b>\$464,707</b>	<b>\$323,290</b>	<b>\$12,706</b>	<b>\$244,065</b>	<b>\$392,034</b>

Source: DI #10, Exh. 1, Table F

In order to test the facility's financial sensitivity to fluctuations in payor mix, staff requested that the applicant create a financial projection utilizing its existing payor mix in place of that projected in the application. Although that scenario projected a very small operating loss in the first two years after project completion, the likelihood of the applicant remaining profitable with the smaller scale of operation appears strong. Additionally, SSMI operates St. Joseph's, a similar 44-bed facility, that is financially viable at the lower bed count.

**(b) Staffing**

Table III-10 below shows the total number of salaried and contractual employees that will staff the 44-bed SHH facility. SHH expects to require fewer staff due to the reduction in beds and changes to its operational model. The mix of nursing and other staff categories will also change.

Additionally, as a facility that does not provide short-stay skilled nursing services focused on rehabilitation, the direct care staffing will be more heavily skewed toward nursing assistants and aides than is found in many Maryland CCFs. However, though there will be marginally fewer FTEs per bed (1.13 vs. 1.14), SHH will actually spend \$5,096 more annually on staffing per bed (\$52,015 vs. \$46,920).

**Table III-10: Sacred Heart Home Staffing Projections**

Position	# FTEs	Projected Salary Expense
Administration	9.0	\$398,828
Direct Care	30.5	\$1,218,414
Support	10.0	274,314
<b>Total FTEs</b>	<b>249.5</b>	<b>\$1,891,556</b>
<b>Employee Benefits*</b>		<b>\$397,115</b>
<b>Total Salaries &amp; Benefits</b>		<b>\$2,228,672</b>

\*20.99% of Salary Expense. Source: DI #10, Exh. 1, Table H

Table III-11 below indicates that the applicant will have a direct care staffing schedule that will deliver an overall average ratio of 4.00 hours per bed per day of care across the facility during the weekdays, weekends and holidays. The majority of the caregivers are nursing assistants and aides, which is appropriate given the intermediate level of care offered by SHH. These staffing ratios are well above the minimum of two hours per bed per day required by COMAR 10.07.02.12.

**Table III-11: Nurse Staffing Hours by Shift, Sacred Heart Home (at 44 Beds)**

Staff Category	Weekday and Weekend Hours per Day		
	Day	Evening	Night
RN	8	8	0
LPN	8	8	8
Aides	8	0	0
CNAs	56	48	16
Medicine Aides	8	0	0
Ward Clerk	0	0	0
<b>Total Hours</b>	<b>88</b>	<b>64</b>	<b>24</b>
Total Hours			176
Total Number of Beds			44
<b>Hours Per Bed Per Day</b>			<b>4.00</b>

(Source: DI # 10, Exh. 1, Table I)

## Summary

Sacred Heart Home has demonstrated that it can obtain the financial resources necessary for project development. The projection of positive operating margins each year are based on reasonable utilization, revenue, expense, and payor mix assumptions. Staff concludes that the applicant has demonstrated project viability.

### **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.***

Sacred Heart Home, Inc. has not previously been issued a Certificate of Need.

### **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 maintains that there should be no negative impact on existing facilities. Although SHH has a high bed occupancy rate, the jurisdiction has a projected excess supply of CCF beds. SHH's plan to reduce capacity by 58 beds will bring supply and demand for CCF beds in Prince George's County into a better balance.

SHH has satisfactorily explained its projected census reductions leading up to moving into the proposed building. The facility will wind down admissions in advance of completion of the smaller replacement facility, allowing for natural attrition to bring census down to levels that can be accommodated in the replacement CCF

SHH also expects a significant change to its payor mix, decreasing its ratio of Medicaid patients to total patients. SHH's assumption is that the new facility, with private bedrooms and bathrooms, will increase demand from self-pay patients. Some reduction in the proportion of Medicaid patients served, which has been high, is logical, in light of the reduction in operating scale

Staff concludes that the impact of the project is clearly positive, with respect to the safety, comfort, and quality of life provided to its resident population and the project will not have a material negative impact on other facilities or the health care system.

## **IV. SUMMARY AND STAFF RECOMMENDATION**

Staff has analyzed the proposed project's compliance with the applicable State Health Plan standards in COMAR 10.24.08 and with the other review criteria found in COMAR 10.24.01.08G(3). Based on this analysis, Staff recommends that the project be **APPROVED**, with the following conditions:

1. At the time of first use review, Sacred Heart Home, Inc. shall provide the Commission with an executed 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. Sacred Heart Home, 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**  
**SACRED HEART HOME**  
**Docket No. 17-16-2411**

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

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**FINAL ORDER**

Based on Commission Staff's analysis in its Report and Recommendation on this project, it is this 19<sup>th</sup> day of April, 2018, **ORDERED**:

That the application for Certificate of Need submitted by Sacred Heart Home, Inc. to build a replacement facility with 44 comprehensive care facility beds, and to reduce the facility's licensed bed capacity from 102 to 44, at the facility operating at 5805 Queens Chapel Road in Hyattsville (Prince George's County) at a total project cost of \$19,219,869, is hereby **APPROVED**, subject to the following conditions:

1. At the time of first use review, Sacred Heart Home, Inc. shall provide the Commission with an executed 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. Sacred Heart Home, 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).

**MARYLAND HEALTH CARE COMMISSION**

## **APPENDICES**

**APPENDIX 1**  
**RECORD OF THE REVIEW**

Docket No. 17-16-2411

Item #	Description	Date
1	Commission staff acknowledged receipt of Letter of Intent	9/21/17
2	Letters of support	Various Dates
3	The applicant filed the Certificate of Need application	11/13/17
4	Commission staff acknowledged receipt of application for completeness review	11/14/17
5	Commission staff requests that Washington Times publish notice of receipt of application	11/15/17
6	Commission staff requested that the <i>Maryland Register</i> publish notice of receipt of application	11/15/17
7	Notice of receipt of application as published in the Washington Times	11/27/17
8	Commission staff requests completeness information	1/22/18
9	E-mail exchange between applicant and staff requesting and affirming an extension to file completeness information	1/31/18
10	Applicant submits completeness information	2/16/18
11	Commission staff notified the applicant of formal start of review of application effective 3/16/18	2/20/18
12	Commission staff requested that the Washington Times publish notice of formal start of review	2/20/18
13	Commission staff requested that the <i>Maryland Register</i> publish notice of formal start of review	2/20/18
14	Request made for comments from the Local Health Planning Department on the CON application	2/20/18

## **APPENDIX 2**

### **MARSHALL VALUATION SERVICE OVERVIEW**

#### **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 SF 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>5</sup>

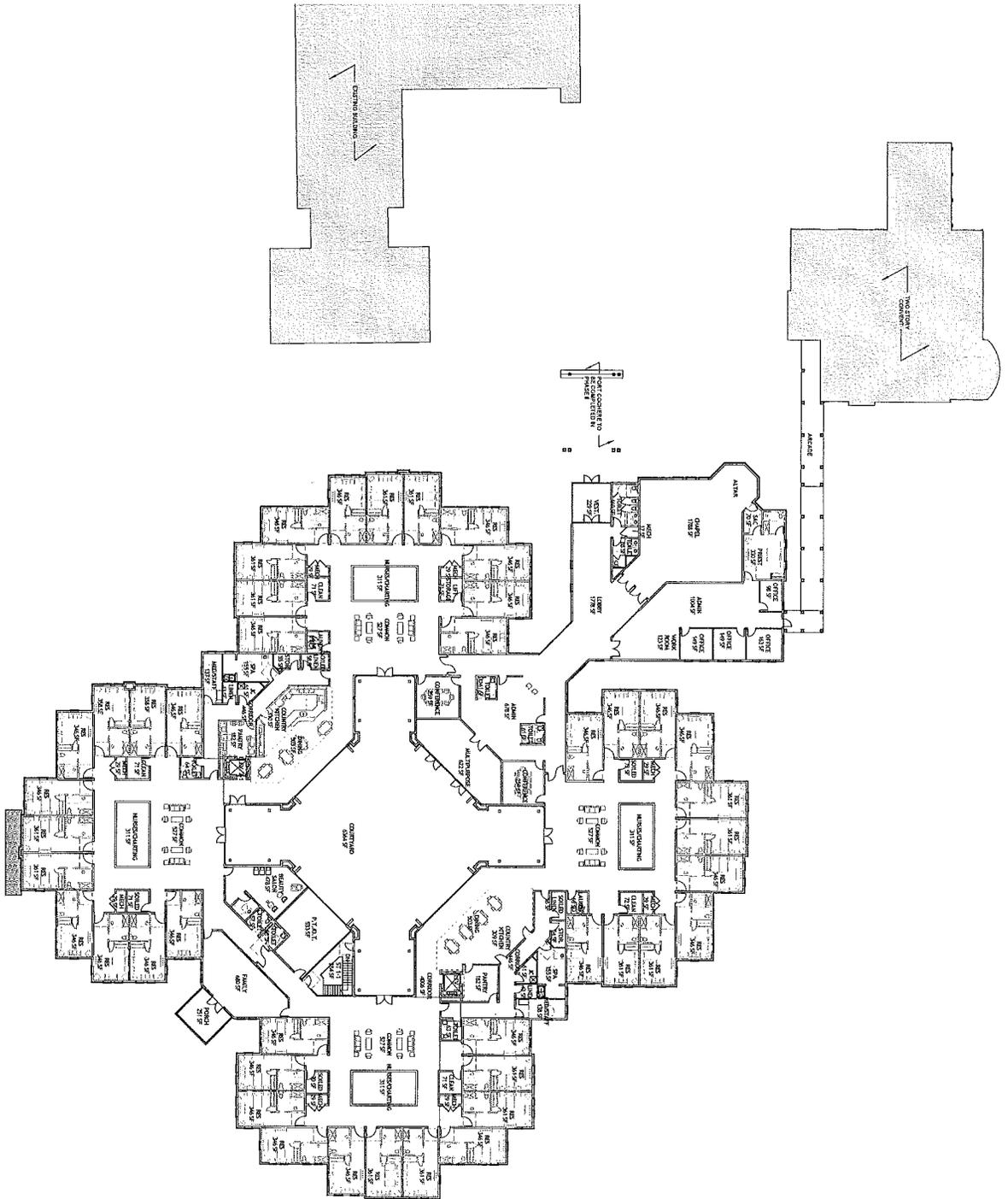
MVS allows staff to develop a benchmark cost using the relevant construction characteristics of the proposed project and the calculator section of the MVS guide.

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.

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<sup>5</sup> Marshall Valuation Service Guidelines, Section 1, p. 3 (January 2014).

**APPENDIX 3**  
**FLOOR PLANS**



# SACRED HEART REPLACEMENT NURSING COMMUNITY

5805 QUEEN'S CHAPEL ROAD  
 HYATTSVILLE, MD 20782

CON - LEVEL 1 - OVERALL  
 FLOOR PLAN  
 Scale: 1/16" = 1'-0"

hord | coplan | machi  
 09.28.2017