

# BRIEFING MEMO

## First Atlantic Healthcare, Inc. Replacement of Collier's Nursing Home

**DATE:** December 13, 2011

**TO:** Mary Mayhew, Commissioner, DHHS

**THROUGH:** Phyllis Powell, Assistant Director, Division of Licensing and Regulatory Services *PPowell*

**FROM:** Larry Carbonneau, Senior Health Care Financial Analyst

**SUBJECT:** Replacement of a Nursing Facility in Ellsworth, Maine

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**ISSUE ACTIVATED BY:** The referenced proposal requires Certificate of Need (CON) approval as defined in "The Maine Certificate of Need Act of 2002," 22 M.R.S.A. §326 et seq., as amended.

**REGISTERED AFFECTED PARTIES:** None

### **I. BACKGROUND:**

This application seeks approval to replace Collier's nursing facility located in Ellsworth, Maine.

The replacement facility will offer 61 dually certified NF beds, 30 residential care level IV beds and 10 assisted living apartments. The proposed total of 101 beds, potentially adds 21 NF, 30 PNMI residential care beds and 10 assisted living apartments in Hancock County.

The Certificate of Need unit has authority to grant a Certificate of Need that covers the nursing facility portion of the project. The Certificate of Need unit does not have the authority to approve residential care projects as it is beyond the scope of the Maine Certificate of Need Act of 2002. Therefore, this project will be reviewed as a nursing facility with 61 beds. The applicant will have the opportunity to make changes in the plan through the subsequent review process if plans change or approval for a Residential Care unit is obtained from the Office of Elder Services.

### **II. PROJECT DESCRIPTION:**

This project proposes closing Atlantic Rehabilitation located in Calais and Collier's located in Ellsworth and replace both facilities with an Ellsworth facility.

Total project cost is estimated to be \$9,680,330.

The cost per square foot of the new Ellsworth facility is \$152.43 (\$9,686,713 total building costs divided by 63,548 square feet). When compared to Marshall & Swift valuation service standards, this figure is similar to a Good Class C convalescent hospital (\$156.68) and a Good Class D convalescent hospital (\$148.90). It is unclear in the application which class of building the applicant plans to build.

Both existing facilities: (1) Atlantic Rehabilitation located in Calais and (2) Collier's located in Ellsworth are listed on the Department's list of facilities to be replaced."

The Preliminary Review by CONU staff, dated November 17, 2011, recommended approval of the application.

### **III. HIGHLIGHTS:**

Letter of Intent dated March 30, 2011  
Application filed and certified as complete on July 27, 2011  
Public Informational Meeting held August 4, 2011  
Record Closed September 3, 2011  
Preliminary analysis released on November 17, 2011  
Record Closed on December 8, 2011

### **IV. PUBLIC COMMENTS RECEIVED IN RESPONSE TO THE PRELIMINARY ANALYSIS:**

Following release of the Preliminary Analysis, no public comments were received.

### **V. CONU ANALYSIS/APPLICANTS COMMENTS:**

#### **i. Fit, Willing and Able:**

To ensure MaineCare neutrality in this project, the applicant plans to utilize bed rights from two of its existing facilities: Atlantic Rehab (52 beds) and Collier's Nursing Home (40 beds). These bed rights would be transferred to two (2) separate new facilities to be constructed in Bucksport, ME and Ellsworth, ME. The Bucksport facility is currently under CON review.

Atlantic Rehab is located at 32 Palmer Street in Calais, Maine. The administrator is Mr. John Wood. Mr. Wood is a licensed administrator in good standing according to records on file with the department. The facility has multiple levels of care including 52 nursing home beds and 30 Level IV residential care beds. The nursing beds are Medicare and MaineCare certified. The facility's current license was issued in June 2011 and carries an expiration date of June 30, 2012.

Collier's Nursing Home is located at 758 Broadway in Bangor, Maine. The administrator is Mr. Stephen Robitaille. Mr. Robitaille is a licensed administrator in good standing according to records on file with the department. The facility has a single level of care with 40 nursing home beds. The nursing beds are all Medicare and MaineCare certified. The facility's current license was issued in 2011 and carries an expiration date of September 30, 2012.

Both facilities are on the department's list of facilities needing to be replaced. Collier's compliance history has warranted selecting the facility for the Special Focus Facility (SFF) program. This designation means that the facility is subject to two (2) standard surveys per year instead of one (1). A facility is typically removed from the program when it demonstrates having two (2) standard surveys that contain no deficiencies cited at a scope and severity level of "F" or greater. Collier's first six month survey under the

SFF program is still pending at this time. The surveys were reviewed as part of this application process and are on file with the long-term care unit of the Division of Licensing and Regulatory Services.

**ii. Economic Feasibility:**

The applicant identified resources of \$5,681,242. The expected expenditures for MaineCare would be \$4,841,121. The excess of \$840,121 would remain with the applicant for future use. The applicant has demonstrated their ability to economically support this project.

**iii. Public Need:**

The project will increase the availability of beds in a more populated part of Eastern Maine than in the Calais area where Atlantic Healthcare is currently located. The new facility will serve primarily the Ellsworth area. Ellsworth area facilities demonstrate slightly higher occupancy levels currently than the Calais area. A recent Muskie School of Public Service occupancy report dated August 1, 2011 states that Atlantic Healthcare in Calais, ME has an occupancy rate of 78.85%. Collier's Rehab in Ellsworth, ME has an occupancy rate of 80.00%. CONU concurs with the applicant that there appears to be a shift in population away from Washington County and a likely need in Hancock County for more nursing facility beds. The population trend helps to justify the need to reposition the beds to a facility in Ellsworth. However, as the applicant has pointed out, Maine has a low ratio of nursing facility beds per 1,000 persons aged 65 and above. There will continue to be a need for nursing facility beds in Calais and Washington County.

**iv. Orderly and Economic Development:**

The applicant has applied for and received several Certificate of Need approvals including a project to move C.A. Dean nursing beds to Ross Manor in Bangor. The remaining C.A. Dean resources of 4 beds, equalling \$592,573, are eligible to be used in the subsequent application of a new facility in Bucksport that is currently under review. The applicant has a remaining total of \$1,432,694 resources and 35 beds. The regional impact on healthcare expenditures of this project would be a reduction in costs of \$592,573. It is important to recognize that the remaining resources, if reallocated to the applicant's proposed facility in Bucksport, would cancel out most or all of the calculated cost savings.

The application provides a low-cost alternative to the beds that were available at C.A. Dean. Recent cost estimates for new facilities have resulted in estimated costs of greater than \$100,000 per constructed bed. It would be more expensive to construct and operate a smaller facility when costs are considered on an individual bed basis. An organization operating as a nursing facility with significantly fewer beds would not be financially viable. Reimbursement for nursing bed care will not be at the higher hospital-based reimbursement level at C.A. Dean.

**v. State Health Plan:**

The applicant is redirecting resources and focus to providing sub-acute services to Maine's elderly population. This project will allow the applicant to focus on its core

business of providing skilled nursing care services. As the applicant states, there would be no additional increase to total healthcare expenses.

**vi. Outcomes and Community Impact:**

For the purposes of health care needs covered by the CON process this proposal does not negatively affect the quality of care by existing service providers because the proposed increase does not appear to be a material change to the number of available beds.

**vii: Service Utilization:**

This project would not significantly increase the number of available beds in the service area; therefore, this project would not represent an inappropriate increase in service utilization.

**viii. Funding and MaineCare Nursing Facility Fund:**

This project utilizes no resources from the MaineCare Nursing Facility Fund.

**VI. CONCLUSION:**

For all the reasons set forth in the Preliminary Analysis and in the record, CONU concludes that the review criteria have been satisfied. CONU recommends the approval of a CON.

**VII. RECOMMENDATION:**

CONU recommends this proposal be **Approved**.

Estimated Capital Expenditure:           \$9,680,330