Department of Health and Human Services  
Division of Licensing and Certification  
State House Station #11, Augusta, Maine  
Preliminary Analysis

Date: March 7, 2019

Proposal by: Sanford Senior Care Operations, LLC

Prepared by: Larry Carbonneau, Manager Health Care Oversight Program, DLC  
Richard Lawrence, Senior Health Care Financial Analyst, DLC

Directly Affected Party: None

Certificate of Need Unit Recommendation: Approval

<table>
<thead>
<tr>
<th>Description</th>
<th>Proposed Per Applicant</th>
<th>Approved CON</th>
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</thead>
<tbody>
<tr>
<td>Estimated Capital Expenditure</td>
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<td>$23,429,254</td>
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<td>Maximum Contingency</td>
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<td>$200,000</td>
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<tr>
<td>Total</td>
<td>$23,629,254</td>
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</table>
I. Abstract

A. From Applicant

Southern Maine Health Care ("SMHC") currently owns and operates Newton Center, a 74-bed nursing home located on the SMHC Sanford campus, as well as previously operating Hillcrest Gardens, a 14-bed RC program located within the Newton Center main building, and The Pavilion, an attached 24-bed RC facility. Hillcrest Gardens and The Pavilion were closed in Spring 2018, and the associated bed rights and MaineCare revenues streams were conveyed by SMHC to its parent, MaineHealth. SMHC, MaineHealth and Sandy River Company ("Sandy River") have entered into an Agreement whereby SMHC will convey the associated MaineCare revenue stream from the Newton Center, and MaineHealth will convey the associated MaineCare revenue stream from Hillcrest Gardens and The Pavilion to Sanford Senior Care Operations, LLC ("Sanford Senior Care"). SMHC will also convey land on the SMHC campus in Sanford.

The development and ownership of Sanford Senior Care is a joint venture between the ownership of two successful Maine companies: Sandy River Company, headquartered in Portland, and North Country Associates ("North Country"), an operator and manager of over 25 senior care facilities throughout Maine and headquartered in Lewiston.

The structure for the joint venture will include an operating entity (Sanford Senior Care Operations, LLC) and a real estate entity (Sanford Senior Care Development, LLC). There will be a lease agreement between the two entities. The actual name of the new facility has yet to be determined. See Exhibit I-A: Organization Chart.

The joint venture will utilize the acquired MaineCare revenue streams and acquired land to construct a new state-of-the-art licensed 64-bed skilled nursing care center combined with a 30-bed assisted living unit specializing in Memory Care.

Newton Center, originally built in 1974, is outdated in today’s skilled nursing facility standards. The proposed new facility will be a one-story design of approximately 64,000 square feet, on approximately 9 acres of land abutting the existing Newton Center.

It is anticipated the new facility will take approximately 14 months to construct with an estimated opening date in the 3rd Quarter 2020, and sooner if possible. Once constructed, the existing residents of Newton Center will be transferred to the new facility if they so choose or into other area facilities.

The total project budget is estimated at $23,629,254. This includes the acquisition of the MaineCare income stream at Newton Center from SMHC, and the acquisition of the MaineCare income stream of Hillcrest Gardens and The Pavilion from MaineHealth, as
well as land being acquired from SMHC. In addition to the available MaineCare income streams acquired from SMHC and MaineHealth, the joint venture will also acquire MaineCare income stream from Lincoln Health to satisfy the need for MaineCare budget neutrality.

Please note that Sandy River has extensive experience developing senior care facilities. Sandy River owns 11 nursing homes in Maine that are leased to Genesis Health Care Corporation. Sandy River has also recently completed several new senior care facilities in Maine to include:

- Avita of Stroudwater, 60 unit assisted living memory care center in Westbrook
- Avita of Wells, a 60-unit assisted living memory care center in Wells
- Avita of Brunswick, a 60-unit assisted living memory care center in Brunswick
- Stroudwater Lodge, a 95-unit independent and assisted living center in Westbrook

Currently, Sandy River, in partnership with John Orestitis, owner of North Country, has a new 66 bed memory care assisted living facility under construction on the campus of Schooner Estates Retirement Community in Auburn.

Working collaboratively with North Country on the design of Sanford Senior Care, Sandy River has assembled a seasoned team to support the permitting and development of Sanford Senior Care Center. Gawron Turgeon is the architect, Sebago Technics is the site engineer, and Allied/Cook is the construction manager.

Attached as Exhibit I-B is a floor plan, site plan and rendering of the new facility. Upon receipt of the Certificate of Need, the final building and site working drawings will be completed. It is recognized that receipt of all necessary state and local permits will be a condition of the Certificate of Need. Please note that the exact name of the new center has yet to be determined.

**CONU Comment #1:**

According to 22 M.R.S.A §329 (6) a certificate of need is required for:

Nursing projects with capital expenditures exceeding $5,789,286 (2018 Threshold).
II. Fit, Willing and Able

A. From Applicant

The development and ownership of Sanford Senior Care is a joint venture between two successful Maine companies: Sandy River, a developer and owner of over fifteen senior care facilities, is headquartered in Portland, and will take the lead role in the joint venture in developing the new facility. North Country, an operator and manager of over 25 senior care facilities throughout Maine and headquartered in Lewiston will manage the facility once constructed.

Sandy River Company

Sandy River Company has a long history in the healthcare and senior care industry in Maine and New England. Beginning in the early 1980’s, Sandy River developed innovative buildings and programs from the ground up. In 1983, Sandy River Nursing Care Center opened its doors with a new approach to nursing homes designed with several “houses” and a more homelike environment for elderly and caregivers.

Sandy River has successfully operated healthcare and senior care facilities whether it is the startup of a new building or turning around an existing asset that needs a fresh set of eyes and vision. Over the course of its history, Sandy River created and managed one of the largest healthcare systems in Maine.

By the mid 1990’s, Sandy River had developed numerous nursing care and assisted living projects with various operating partners. In 1996, Sandy River acquired the ownership interests of its operating partners and created Sandy River Health System, an integrated system of over a dozen healthcare facilities including RiverRidge, the state’s first traumatic brain injury rehab center and Sedgewood Commons, the state’s first multi-level 100% Alzheimer’s care center. Sandy River also developed more upscale assisted living facilities such as Harbor Hill in Belfast and Windward Gardens in Camden.

After successfully operating its portfolio of facilities, Sandy River represented the partners of the facilities on a sale of the operating companies to Genesis in 2007. The partners continue to own the real estate and lease the buildings to Genesis with Sandy River representing the owners. While Sandy River no longer operates its original portfolio of facilities in Maine, Sandy River continues to offer its long history of experience in healthcare and senior care by providing transaction services, development services, financing services and advisory services to clients throughout Maine.
With over 30 years working together, the three principals of Sandy River chose to focus its activities on senior healthcare because it is good financial business and because it is an opportunity to meet a commitment to be socially responsible in the process.

Michael Tyler served in various financial positions with Northeast Health/Pen Bay Medical Center in Rockport, Maine prior to joining Sandy River Health System in 1987. Serving as President, Michael was instrumental in leading the growth and operations of Sandy River’s healthcare portfolio from its initial two facilities to eleven facilities and its 1600 employees. In January 2007, he led the sale of the Sandy River facilities to Genesis. Since 2007, Michael continues as a partner at Sandy River Company, providing consulting, financing and development services including arranging financing for several new senior care facilities. As a seasoned operator and developer of senior care services, Michael has served as Chairman of the Maine Health Care Associations and continues to serve as a Board member.

David Friedman attended Harvard University where he graduated cum laude in Economics in 1969. After graduating from Harvard Business School, David moved to Maine where he founded a real estate brokerage firm, which later evolved into real estate development. David has been the creator of many successful enterprises within the arenas of real estate and health care. In 1980, David co-founded Sandy River Nursing Center, the first of what would be 11 facilities. The company grew to be Maine’s largest provider of skilled and assisted living care. In addition, he has served as Chair of several national and international non-profit organizations. He is a natural team builder and facilitator and thrives on choosing and then empowering teams to grow.

Daniel Maguire began his career as Development Finance Officer with Eastern Maine Development Corporation in 1981 and later became part of Maine State Development Office coordinating trade missions working closely with the Governor’s Office. In 1984, Daniel joined Sandy River Group as VP of Development where he directed the development and construction of a $100 million portfolio of senior care facilities throughout Maine, as well as numerous development consulting assignments for other providers throughout the Northeast. In 2007, following the sale of the 11 Sandy River facilities to Genesis, Daniel has continued as a partner at Sandy River Company providing consulting and development services for several senior care projects. Daniel has also been a major fundraiser for the Maine Alzheimer’s Association.

North Country Associates and John Orestis

North Country Affiliated Entities comprise Maine’s largest long-term care and senior living company.
Founded in 1981 with the purchase of five assisted living facilities and growing over the ensuing years, North Country now owns and/or operates 25 facilities. These facilities comprise more than 1500 beds and units serving Maine’s elder population. The enterprise has more than 2000 employees and generates 75 million dollars in annual revenues.

With a corporate headquarters in Lewiston, Maine, and a highly respected senior operations team, North Country is recognized as a leader offering a continuum of health care options which include independent living apartments, assisted living, skilled nursing care, rehabilitation, specialized memory care, outpatient therapies, adult day care, as well as services and living assistance to those with intellectual disabilities. More than 25% of their beds are assisted living and a high percentage of those are devoted to memory care.

Led for 30 plus years by John Orestis, the enterprise prides itself on delivering the highest quality care and service to its residents in a culture that encourages employee growth and retention. Most of the senior management staff each have decades of service at North Country and are considered leaders in Maine's senior care industry.

**John Orestis** is President and CEO of North Country Associates. Prior to joining North Country John was a real estate and tax lawyer and partner at Skelton, Taintor, Abbott and Orestis in Auburn. He practiced law for almost 20 years. Mr. Orestis was a staff member of the late Senator Edmund Muskie and graduated from Georgetown University and American University Law School during his eight years in Washington. He served in the Maine House of Representatives, was a two term Mayor of Lewiston and has remained politically active for decades. John has been President of the Maine Health Care Association and on the Board of the American Health Care Association and has served several community based non-profit endeavors over the years.

In addition to John, the senior management team comprises Mary Jane Richards - Chief Operating Officer, Glen Cyr - Senior Vice President of Finance, Sandy Pomelow - Senior Vice President of Human Resources and Customer Service, Eric Pooler – Facility Operations Managers, Holly Poirier, Facility Operations Manager and Lori Pomelow, Facility Operations Manager, Kim Dufour- Director of Clinical Services and Quality Improvement, and Tamra Deering, Senior Director of Admissions Management. This team combines many years of experience and professional talent and has served the company well in achieving its goal of delivering high quality service and care to its patients and residents.

North Country’s seasoned leadership team offers expertise that spans multiple sectors and includes:

- Clinical Operations
• Financial Management
• Property/Environmental Management
• Safety and Risk Management
• Human Resource Oversight
• Occupancy Development and Strategic Positioning
• Registered Dietician Consultation
• Information Technology
• Therapy Oversight
• Reimbursement Specialists

North Country and John Orestis have a long and successful history of operating diverse and complicated long-term care services throughout the facilities. As the manager of the proposed new facility in Sanford, North Country is well positioned with decades of experience and a wide range of talent, ability, and dedication to the task of delivering long term care to frail elderly citizens in a challenging business and regulatory environment. The delivery of quality skilled, long term and residential level care to Maine's frail elderly is the foremost goal of both North Country and Sandy River.

**Transition Approach**

North Country has a long history of on-boarding new consulting services. We have learned from previous experience that an implementation plan needs to be well thought out prior to commencing and that facility staff, residents and families need to be at the forefront.

From the beginning of our services North Country considers itself to be a partner with the facility Administrator and staff. This partnership will be felt immediately by Department Managers.

**Initial phase** of integrating our services will include an extensive review of the following:

- Organizational structure
- Personnel audit
- Physical Plant
- Ancillary
- Third party contracts
- Financial audit
- Clinical
- Operations

**Second phase** will identify points of contact. Scheduling of North Country staff onsite to meet residents, staff and families and begin weekly meetings with department
managers. Priorities will be assigned as a result of Initial Phase findings. Goals for each department will be established.

Third phase will be determined by the information garnered in the Initial and Second phases and will be unique to STJRR. Regular visitation will take place by the executive team and managers. Conference call schedules will be developed. Networking with other facilities that are part of North Country will begin. Third phase will continue until conclusion.

**Transition of Current Employees**

Newton Center currently has 83 FTE employees. Many have a long history with Newton Center’s residents, families and the Sanford community. Since these employees are currently under the direction of SMHC, they would all become new employees of the Sanford Senior Care Center. North Country’s intent is to hire as many employees of the Newton Center as they can and will handle all new hires in accordance with current policies and procedures. Top performing staff will be given preference. Staff vacancies that are not hired with current staffing will be hired from the greater Sanford Community and or North Country employees interested in job growth/opportunities.

**Facility Transition**

Immediately following the transfer of ownership staff will begin to learn the Northern Hospitality, North Country Associates is known for. We will ensure that staff have the following resources available:

- Regular staff meetings on all shifts with all departments to address transition concerns or questions.
- Customer satisfaction surveys with families and discharged residents
- Access to a compliance hot line so that families, and or residents can contact us confidentially about any concerns
- Clinical and Operations cell phone and home numbers

**Clinical Structure**

Our clinical operations consist of the Vice President of Clinical Services and Quality Improvement, an Electronic Health Record specialist, Case Mix Reimbursement specialist and a Residential Care specialist. Our clinical team provides support to all facilities either by phone or through frequent visits to each of the centers.

Below is a list of the many ways our Clinical Support team provides oversight and guidance to each center:
• Survey Support
• Expert clinical record review prior to release of information
• NCA clinical support team is available 24 hours a day.
• Provide access and education to North Country clinical reports.
• Provide education related to Requirements of Participation.
• Clinical audits such as Pressure Ulcer, Pain
• Improve Quality Measures
• Improve 5 Star Rating
• Provide onsite education to help meet goals

In order to provide a consistent, comprehensive transition of care for our residents from the time of their hospital stay to their time of admission to the facility and ongoing to their discharge home, North Country’s VP of Admissions Management has collaborative relationships with:

• Area hospitals
• Physicians
• Nurse Practitioners
• Hospice Agencies
• Home Care services

North Country has been successful in forging these partner relationships through our Clinical Liaison model. North Country has five Clinical Liaisons covering all major hospitals throughout the state of Maine. They establish initial contact with the patients and their families to ensure a smooth “hand-off” in moving the resident to their respective facility. Such collaboration has contributed to decreasing the overall rate of re-hospitalizations at North Country supported facilities.

North Country’s highly skilled Case Mix Specialist assists each of its facilities to monitor regulatory compliance, provide support to in-house MDS (Minimum Data Set) Coordinators and monitor action plans identified for improvement.

**Nursing Home Compare Ratings Under 5 Star Systems**

North Country’s comprehensive approach to providing solid transitional care along with having seasoned leadership and committed staff has helped to produce outstanding ratings under the Medicare 5 Star Rating System. On average our facilities earned 3.7 stars for Overall Ratings; 2.6 stars for Health Inspections; 4.9 stars for Staffing and 3.6 stars for Quality Measures. These results fall in line with National and State averages.
Health Inspections

Through its Peer Review process and Quality Improvement/Performance Improvement initiatives North Country has seen a reduction in overall numbers of deficiencies.

North Country Associates Health Inspections - December, 2018

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<thead>
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<th>Facility</th>
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<th>Number of Deficiencies</th>
<th>Scope and Severity</th>
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<td>Borderview</td>
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Programs and Services

Corporate Compliance Program:  
North Country Associates has always prided itself on its commitment to operate in a legal and ethical manner. Our comprehensive Corporate Compliance Program was developed to ensure that all employees are educated to our Standards and Code of Conduct. To ensure that all employees understand and share our commitment, we explain our expectations at hire and annually thereafter. Beyond outlining the expectations, our program provides encouragement and guidance to employees in reaching legal and ethical solutions to the challenges they face in their daily activities. The employee Standards and Code of Conduct indicate how business is to
be conducted at North Country Associates and reiterates North Country’s longstanding commitment to integrity in our dealings with residents, customers, suppliers and competitors.

**Policy and Procedures:**
Manuals written and designed specifically for Long Term Care to offer facilities a foundation for achieving operational and clinical continuity as well as regulatory compliance. Our manuals are a culmination of best practices in each of the facility realms to include:

- Human Resource
- Clinical
- Information Technology
- Vision – Electronic Health Records
- Dietary
- Preventative Maintenance
- Pharmacy

Policies are reviewed on an annual basis or more often as needed. The review of these policies will be completed by facility personnel, North Country’s counterparts and Medical professionals as appropriate.

**Emergency Response Plans:**
Each North Country Associates facility has an Emergency Response Plan designed precisely for each site. We have a trained individual, familiar with CMS regulations that will work directly with Sanford Senior Care Center and local Emergency Management and First Responders to develop a plan that is right for the facility and consistent with CMS requirements.

**Monitoring of Quality Improvement Program:**
Quality Improvement management is handled among our clinical team with our Quality Improvement Specialists. They monitor facility performance and use their findings to guide program improvement activities. By applying organizational and system-wide strategies, methods and tools they have developed a consistent program across all sites, all the while honoring each facilities culture and skill sets.

**Adherence to State and Federal Regulations:**
Compliance with all state and federal regulations is paramount to the success and integrity of our business. North Country has an outstanding working relationship with members of Licensing and Certification. This relationship has often put North Country in the position of advising key officials of regulation changes. Having a Quality
Improvement Specialist that used to be a State and Federal Surveyor gives its team a level of expertise that few other Operators in Maine have. North Country’s policies and procedures correlate with the state regulations.

Support Services:

Case Mix Specialist – Support for facility MDS Coordinator. Oversight of RAI process from completion of the MDS through submission to the fiscal intermediaries. Committed to compliance of documentation. Regularly audits clinical documentation and provides feedback to facility clinical staff.

Registered Dietician – Support for facility Food Service supervisors. Develops menus in six-week cycles for each season throughout the year. Liaison with food vendors. Develops/Maintains policies and procedures. Monitors food costs and procurement. Monitors compliance. Recommends equipment replacement. Evaluates dietary staff work flow. Conducts regular Food Service Supervisor meetings. Coordinates coverage when an FSS is absent from their facility for vacations or medical leave. Provides hands on education to food service staff. Educates Food Service Supervisors on Safe Serve.

Physical Plant Engineer – Support for Environmental specialists. Co-coordinator of service contracts to insure contractors are insured and cover their employee’s worker’s compensation. Organizes requests for capital purchases. Liaison with vendors for renovations, repairs, purchases as needed. Assists in correcting deficiencies listed with Fire Marshal’s office. Networks all Environmental Specialists, allowing for a wide range of skill sets available to each of our facilities.

Assistant Physical Plant Engineer – Co-coordinator of service contracts to insure contractors are insured and cover their employee’s worker’s compensation. Reviews quotes for repairs and purchases to ensure fair bidding process.

Emergency Response Manager – Support to facility Administrator and Environmental service directors. Educated in fire safety and disaster preparedness. Good working relation with local emergency management teams. Familiar with CMS requirements for an emergency response plan. Audits existing plans for each facility and makes recommendations for alterations of the plans.


Reimbursement Specialist – Develops all cost reports and submits timely to state. Develops budgeting spreadsheets. Develops interim cost reports to determine reimbursement maximization. Recommends changes as needed.
Rehabilitation Coordinator – Physical Therapist, Co-Rehabilitation Coordinator. Provides support to the Rehab Manager and staff Educates Rehabilitation Managers and staff as needed. Develops Rehab staff work flow. Utilizes and trains Rehab managers to use a Therapy analyzer aimed at compliance and reimbursement maximization. Monitors productivity levels to ensure therapists are meeting acceptable benchmarks. Networks all therapy managers within NCA. Provides education to therapists and coordinates outside education for therapists. Certified in specialized seating. Determines staffing levels based on acuity, skilled census and facility needs.

Electronic Health Record Specialist - Sarah does ongoing training with our software. She has built a Resource Manual for our clinical software as well as the individual disciplines. She assists the Facilities as a help desk support and by doing audits and one on one Facility training on a routine basis.

B. Certificate of Need Unit Discussion

i. CON Standards

Relevant standards for inclusion in this section are specific to the determination that the applicant is fit, willing and able to provide the proposed services at the proper standard of care as demonstrated by, among other factors, whether the quality of any health care provided in the past by the applicant or a related party under the applicant’s control meets industry standards.

ii. CON Unit Analysis

This proposal involves the replacement of Newton Center (74 bed SNF/NF), Hillcrest (14 bed RCF) and the Pavilion (24 bed RCF) with a new, yet to be named, 64 bed SNF/NF and 30 bed RCF located in Sanford, Maine. This project is a joint venture between Sandy River Company and North Country Associates. Both companies are headquartered in Maine and have a long history of owning and operating senior care facilities in this State. The joint venture will include an operating entity (Sanford Senior Care Operations LLC) and a Real Estate Company (Sanford Senior Care Development LLC). North Country Associates will operate and manage the Sanford facility, therefore the applicant provided several performance measures relating to North Country’s facilities in Maine. CONU has prepared a table summarizing North Country’s Nursing Home Compare ratings:
<table>
<thead>
<tr>
<th>North Country Facility</th>
<th>Overall</th>
<th>Health Inspections</th>
<th>Staffing</th>
<th>Quality Ratings</th>
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<tr>
<td>Borderview</td>
<td>5</td>
<td>4</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Courtland</td>
<td>3</td>
<td>2</td>
<td>5</td>
<td>3</td>
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<tr>
<td>Edgewood</td>
<td>2</td>
<td>1</td>
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<td>4</td>
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<tr>
<td>Gardiner</td>
<td>3</td>
<td>2</td>
<td>5</td>
<td>2</td>
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<td>Heritage</td>
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<td>5</td>
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<td>Maplecrest</td>
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<td>Orchard Park</td>
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<td>Russell Park</td>
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<td><strong>4.8</strong></td>
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Nursing Home Compare provides details on nursing homes across the country. Nursing Home Compare features a star rating system that gives each facility a rating between 1 and 5 stars for health inspections, staffing and quality of resident care measures. The Centers for Medicare & Medicaid Services also calculates an overall rating. This information is important due to the variation in the quality of care and services each nursing home provides to their residents. This data is updated on a monthly basis.

Facility ratings are determined using these criteria:
- The best 10 percent in each State receive a five-star rating.
- The middle 70 percent of facilities receive a rating of two, three, or four stars, with an equal number (approximately 23.33 percent) in each rating category.
- The worst 20 percent receive a one-star rating.

The above table indicates that North Country has solid ratings in 3 out of four categories and is in the middle 70 percent of all facilities nationally with regards to health inspections ratings.

The Division of Licensing and Certification, as the State survey agency, investigates all complaints of regulatory violation regarding health care facilities, agencies and services subjected to its licensing and certification authority. The Division then evaluates whether or not the complaints can be substantiated and initiates whatever action is necessary.
The applicant provided a detailed chart of inspection dates and scope and severity of findings. CONU reviewed all nursing home surveys and determined that all findings have been closed out and that North Country nursing facilities are in compliance with 42 CFR Part 483, Subpart B, Requirements for Long Term Care Facilities. The table below shows the date when all survey findings were resolved for each facility.

<table>
<thead>
<tr>
<th>Facility</th>
<th>Date of Inspection</th>
<th>Findings Resolved</th>
</tr>
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<tbody>
<tr>
<td>Borderview</td>
<td>06/27/18</td>
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<td>Courtland</td>
<td>08/01/18</td>
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<tr>
<td>Edgewood</td>
<td>06/27/18</td>
<td>09/13/2018</td>
</tr>
<tr>
<td>Gardiner</td>
<td>2/26/18</td>
<td>05/23/2018</td>
</tr>
<tr>
<td>Heritage</td>
<td>07/18/18</td>
<td>08/15/2018</td>
</tr>
<tr>
<td>Maplecrest</td>
<td>12/07/18</td>
<td>01/18/2019</td>
</tr>
<tr>
<td>Orchard Park</td>
<td>05/16/18</td>
<td>08/01/2018</td>
</tr>
<tr>
<td>Russell Park</td>
<td>10/18/18</td>
<td>11/19/2018</td>
</tr>
<tr>
<td>Sanfield</td>
<td>06/14/18</td>
<td>08/14/2018</td>
</tr>
<tr>
<td>Somerset</td>
<td>05/22/18</td>
<td>07/19/2018</td>
</tr>
<tr>
<td>Sonogee</td>
<td>10/17/18</td>
<td>12/03/2018</td>
</tr>
<tr>
<td>Southridge</td>
<td>06/28/18</td>
<td>09/04/2018</td>
</tr>
</tbody>
</table>

It should be further noted that no survey findings rose to the level of actual harm or immediate jeopardy.

Survey data for this facility can be accessed at Medicare.gov and is on file at CONU.

The Commissioner can rely on data available to the department regarding the quality of health care provided by the applicant as allowed at M.R.S. 22 §337 (3).
Deeming of Standard

As provided for at 22 M.R.S. § 335 (7)(A), if the applicant is a provider of health care services that are substantially similar to those services being reviewed and is licensed in the State, the requirements of this paragraph are deemed to have been met if the services previously provided in the State by the applicant are consistent with applicable licensing and certification standards.

Both North Country and Sandy River have provided SNF/NF and Residential Care services in Maine for decades. The services provided are consistent with applicable licensing and certification standards in the State. The Deeming of Standard provisions apply to this CON application.

iii. Conclusion

The Certificate of Need Unit recommends that the Commissioner find that the applicant is fit, willing and able to provide the proposed services at the proper standard of care as demonstrated by, among other factors, whether the quality of any health care provided in the past by the applicant or a related party under the applicant’s control meets industry standards.
III. Economic Feasibility

A. From Applicant

The development and ownership of Sanford Senior Care is a joint venture between the owners of Sandy River Company and the owner of North Country Associates. The structure for the joint venture will include an operating entity (Sanford Senior Care Operations, LLC) and a real estate entity (Sanford Senior Care Development, LLC). There will be a lease agreement between the two entities. Again, the actual name of the new facility has yet to be determined.

Additionally, Sanford Senior Care Operations, LLC will have a consulting agreement with North Country Associates.

The applicant will utilize the acquired MaineCare revenue streams and acquired land to construct a new state-of-the-art licensed 64-bed skilled nursing care center combined with a 30-bed assisted living unit specializing in Memory Care.

Recognizing the need to remain MaineCare neutral, Sanford Senior Center will utilize the acquired MaineCare income stream to construct the new facility. It is understood that DHHS will determine the actual number of beds, and the accompanying MaineCare resources, that will need to be acquired to remain Medicaid neutral. It is anticipated that the new facility will require $7,936,483 in MaineCare resources.

Please see attached the following exhibits:

Exhibit III-A, Sources and Uses of available MaineCare Income Stream

Exhibit III-B, Purchase and Sale Agreement on the purchase of MaineCare income stream (bed rights) from SMHC.

Exhibit III-C, Purchase and Sale Agreement on the purchase of MaineCare income stream (bed rights) from MaineHealth.

Exhibit III-D, Purchase and Sale Agreement on the purchase of MaineCare income stream from LincolnHealth.

Exhibit III-E, Purchase and Sale Agreement on the purchase of land from SMHC.

The total project budget is $23,629,254. Attached as Exhibit III-F is the project budget which includes the cost of acquiring MaineCare income stream. Also attached as Exhibit III-G is a construction cost estimate for the construction of the new facility.
The revised proforma financial statements demonstrate the feasibility of the proposed project. Attached as Exhibit III-I is a Pro Forma Income Statement for three full years of operation as well as a census and revenue projections and payroll budget for each year. The Pro Forma Income Statement shows that Sanford Center will result in a Net Operating Income of $579,686 (EBITDA of $2,354,357) in the first full year of operations.

Attached as Exhibit III-J is a revised pro forma MaineCare cost report for the first full year of operations.

Sandy River, as the developer, is responsible for obtaining the necessary financing to construct the building. Sandy River has obtained term sheets from several banks that want to provide financing for this project. Please also note that Southern Maine Health Care and/or Maine Health are providing seller financing totaling $1,000,000 on the acquisition of the bed rights and associated MaineCare income stream from Newton Center, Hillcrest Gardens and The Pavilion, and as discussed in the above Purchase and Sale Agreements. Attached as Exhibit III-H are the proposed terms of the loans for the project.

In summary, the Pro Forma financial statements demonstrate the feasibility of the new project and (1) the capacity to support the project financially over its useful life, in light of the rates the applicant expects to be able to charge for the services to be provided by the project; and (2) the ability to establish and operate the project in accordance with existing and reasonably anticipated future changes in federal, state and local licensure and other applicable or potentially applicable rules.

B. Certificate of Need Unit Discussion

i. CON Standards

Relevant standards for inclusion in this section are specific to the determination that the economic feasibility of the proposed services is demonstrated in terms of the:

- Capacity of the applicant to support the project financially over its useful life, in light of the rates the applicant expects to be able to charge for the services to be provided by the project; and

- Applicant's ability to establish and operate the project in accordance with existing and reasonably anticipated future changes in federal, state and local licensure and other applicable or potentially applicable rules.

ii. CON Unit Analysis
The 64 bed SNF/NF and 30 bed RCF Sanford Facility will replace the outdated Newton Center which was constructed in 1974. The site for this 64,000-square foot facility is on a 9-acre lot adjacent to the Newton Center. The Sanford Facility has a projected opening date in the 3rd Quarter of 2020. The total project budget is estimated at $23,629,254 as shown below:

<table>
<thead>
<tr>
<th>Sanford Facility Capital Budget</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Site Acquisition</td>
<td>$440,000</td>
</tr>
<tr>
<td>MaineCare bed rights</td>
<td>$2,560,541</td>
</tr>
<tr>
<td>Site Work</td>
<td>$2,852,390</td>
</tr>
<tr>
<td>Building Construction</td>
<td>$12,582,252</td>
</tr>
<tr>
<td>Major Furnishings and Equipment</td>
<td>$1,207,500</td>
</tr>
<tr>
<td>Vehicle</td>
<td>$37,500</td>
</tr>
<tr>
<td>Architect and Engineering</td>
<td>$725,000</td>
</tr>
<tr>
<td>Application Fees</td>
<td>$153,000</td>
</tr>
<tr>
<td>Environmental and Geotechnical</td>
<td>$25,000</td>
</tr>
<tr>
<td>Environmental Phase I</td>
<td>$20,000</td>
</tr>
<tr>
<td>Utility Fees</td>
<td>$225,000</td>
</tr>
<tr>
<td>Testing and inspections</td>
<td>$30,000</td>
</tr>
<tr>
<td>Wetlands, Traffic, Survey, DEP</td>
<td>$190,000</td>
</tr>
<tr>
<td>Appraisal/Market Studies</td>
<td>$15,000</td>
</tr>
<tr>
<td>Title and Recording</td>
<td>$30,000</td>
</tr>
<tr>
<td>Legal and Accounting</td>
<td>$175,000</td>
</tr>
<tr>
<td>Taxes During Construction</td>
<td>$35,000</td>
</tr>
<tr>
<td>Builders Risk Insurance</td>
<td>$40,000</td>
</tr>
<tr>
<td>Development Fees</td>
<td>$750,000</td>
</tr>
<tr>
<td>Financing Fees</td>
<td>$130,000</td>
</tr>
<tr>
<td>Interest Carry</td>
<td>$400,000</td>
</tr>
<tr>
<td>Permit Fees</td>
<td>$40,000</td>
</tr>
<tr>
<td>Startup Costs</td>
<td>$300,000</td>
</tr>
<tr>
<td>Preopening Marketing</td>
<td>$300,000</td>
</tr>
<tr>
<td>Operating Reserve</td>
<td>$156,071</td>
</tr>
<tr>
<td>Contingency</td>
<td>$200,000</td>
</tr>
<tr>
<td><strong>Total Project Budget</strong></td>
<td><strong>$23,629,254</strong></td>
</tr>
</tbody>
</table>

This project consists of $12,559,360 in SNF/NF costs, $6,687,473 in Residential Care costs, and $615,697 in other costs. $3,766,612 in costs are projected to be unallowable.

The project will be financed as follows:

| Debt Financing (Commercial Bank)                        | $16,540,478 |
| Southern Maine Health Care/Maine Health (Seller Financing)| $1,000,000  |
| Paid in Capital                                         | $6,088,776  |
Sandy River Company, the project developer, has obtained term sheets from several banks. The terms of the loan are interest-only for 26 months with a fixed rate of interest of 5.125% for 7 years and an amortization period of 25 years. The sellers of the MaineCare bed rights (Southern Maine Health Care/Maine Health have offered identical terms for the subordinated debt of $1,000,000.

In order to support the financial feasibility of this project the applicant supplied financial projections for the first three full years of operations of the new facility with census, revenue projections and a payroll budget for each year. In addition, the applicant submitted a cost report for the first full year of operations. CONU reviewed the underlying assumptions regarding capital costs, MaineCare utilization and pending inflation adjustments and found them reasonable. Wherever possible existing staff at Newton Center will be utilized at the new facilities. The documentation submitted by the applicant supports the assertion that this project is financially feasible. Final reimbursement rates associated with this transaction will be computed by DHHS Rate Setting and DHHS Office of Audit.

**MaineCare Neutrality**

This project is subject to MaineCare neutrality. MaineCare neutrality is computed by comparing the utilization of MaineCare resources between Newton Centers 74 bed SNF/NF capacity, Hillcrests 14 bed RCF capacity and Pavilions 24 bed RCF capacity and the proposed Sanford facilities 64 bed SNF/NF and 30 bed RCF capacity. The current calculated MaineCare utilization for Newton Center, Hillcrest and Pavilion is $6,903,128. The proposed calculated MaineCare utilization is $8,049,680. This increase in MaineCare utilization is $1,146,552. These calculations are based on 95% occupancy with the exception of Pavilion which had a low occupancy for the previous year. See below for calculation:

<table>
<thead>
<tr>
<th>Facility</th>
<th>Beds</th>
<th>Days</th>
<th>Occupancy</th>
<th>Utilization</th>
<th>MaineCare Rate</th>
<th>MaineCare Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Newton Center</td>
<td>74</td>
<td>365</td>
<td>0.95</td>
<td>25660</td>
<td>$211.10</td>
<td>$5,416,826</td>
</tr>
<tr>
<td>Hillcrest</td>
<td>14</td>
<td>365</td>
<td>0.95</td>
<td>4855</td>
<td>$107.48</td>
<td>$521,815</td>
</tr>
<tr>
<td>Pavilion</td>
<td>24</td>
<td>365</td>
<td>0.76</td>
<td>6658</td>
<td>$144.87</td>
<td>$964,487</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$6,903,128</td>
</tr>
<tr>
<td>Sanford SNF/NF</td>
<td>64</td>
<td>365</td>
<td>0.95</td>
<td>22192</td>
<td>$281.80</td>
<td>$6,253,706</td>
</tr>
<tr>
<td>Sanford RCF</td>
<td>30</td>
<td>365</td>
<td>0.95</td>
<td>10403</td>
<td>$172.64</td>
<td>$1,795,974</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$8,049,680</td>
</tr>
<tr>
<td>MaineCare funding required</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$1,146,552</td>
</tr>
<tr>
<td>Lincoln County Health Care</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$1,156,439</td>
</tr>
<tr>
<td>Excess funding</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$9,887</td>
</tr>
</tbody>
</table>
Due to the acquisition of MaineCare bed rights of $1,156,439 from LincolnHealth, MaineCare neutrality has been achieved. The excess MaineCare funding of $9,887 may be utilized for other projects.

**Deeming of Standard**

As provided for at 22 M.R.S. § 335 (7)(B), if the applicant is a provider of health care services that are substantially similar to those services being reviewed and is licensed in the State, the applicant is deemed to have fulfilled the requirements of this subparagraph if the services provided in the State by the applicant during the most recent 3-year period are of similar size and scope and are consistent with applicable licensing and certification standards.

Both North Country Associates and Sandy River Company have been providers of SNF/NF nursing services and Residential Care Facilities for many years. The operations of the proposed Sanford facility are of similar size and scope and are consistent with applicable licensing and certification standards.

**Changing Laws and Regulations**

Certificate of Need Unit staff is not aware of any imminent or proposed changes in laws and regulations that would impact the project.

**iii. Conclusion**

Certificate of Need Unit staff recommend that the Commissioner determine that the applicant has met their burden to demonstrate: (1) the capacity of the applicant to support the project financially over its useful life, in light of the rates the applicant expects to be able to charge for the services to be provided by the project; and (2) the applicant's ability to establish and operate the project in accordance with existing and reasonably anticipated future changes in federal, state and local licensure and other applicable or potentially applicable rules.
IV. Public Need

A. From Applicant
Sanford is a city located in the heart of York County. With a population of 20,798 in the 2010 census, Sanford is the seventh largest municipality in the state. Situated on the Mousam River, Sanford includes the village of Springvale.

The primary need for this project is the replacement of Newton Center. Newton Center has been an integral part of SMHC campus in Sanford (formerly Goodall Hospital campus) since it was built in 1974. SMHC was formed in 2014 when Goodall Hospital and Southern Maine Medical Center (SMMC) merged to become Southern Maine Health Care, the fifth largest healthcare system in Maine and part of MaineHealth. SMHC offers a comprehensive array of medical care and services including a full-service medical center in Biddeford and emergency departments in Biddeford and in Sanford.

SMHC commitment to replacing and keeping the services of Newton Center within the community of Sanford led to discussions with Sandy River as a potential developer of a new state-of-the-art facility abutting the SMHC campus. Newton Center, now over 40 years old, is outdated in today's skilled nursing facility standards and has outlived its useful life as a nursing home.

Working collaboratively with SMHC, Sandy River began advising SMHC in 2013 on possible options for the future of Newton Center. In evaluating the existing physical building, it became apparent that replacing the facility was the most desirable and practical option.

- The existing building is extremely small and crowded with almost all small shared rooms.
- In much of the building, there are 4 persons to a bathroom and none of them meet ADA standards.
- There is no kitchen; food delivery comes from the hospital and travels outside to the Newton Center and certainly is not desirable.
- The now closed 14 bed residential care program in the basement of the Newton Center was, by any standards, not acceptable.

Clearly, replacing Newton Center with a new state-of-the-art nursing center will have a dramatic positive impact on the quality of life of residents and improve the emotional health of residents and their families. It simply is the right thing to do.

The proposed new facility will consist of 64 dually-licensed NF beds with two NF "neighborhoods" offering the opportunity to create both a traditional long-term care neighborhood and short stay rehabilitation neighborhoods. The facility will also include a 30-bed assisted living memory care neighborhood. Newton Center will be closed upon completing construction. Hillcrest Gardens, a 14-bed RC program located within
the Newton Center main building, and The Pavilion, an attached 24-bed RC facility have previously been closed. Effectively, the new facility is replacing 74 licensed nursing beds and 38 licensed residential care beds (total of 112 licensed beds) with a new 64 bed state-of-the-art senior care center. No new NF beds will be added to the service area.

**Licensed Nursing Care Beds**

In the historically cited report by the Muskie School of Public Service titled *Older Adults and Adults with Disabilities: Population and Service Use Trends in Maine -2012 Edition*, the number of persons age 65 and older in York County was projected to increase from 33,078 in 2012 to a staggering 53,948 by 2022. York County historically has been one of the most under-bedded counties in Maine for licensed NF beds with only 24 beds per 1,000 persons age 65 and above compared to a state average of 33 beds per 1,000 persons age 65 and above based on the above cited report.

Maine has the oldest median age in the country and the highest percentage of so-called "baby boomers" (born between 1946 and 1964). The oldest baby boomers are now turning 72 and as they continue to age, the need for nursing care and skilled rehab services will dramatically increase in Maine and York County and throughout the United States.

As the State of Maine and York County continues to significantly age, there will be increasing demand for additional NF/Skilled beds including a continued need for the proposed 64 NF/Skilled beds at Sanford Senior Care. Again, the proposed new facility is designed with two NF "neighborhoods" offering the opportunity to create both a traditional long-term care neighborhood and short stay rehabilitation neighborhoods. The demand for high-level short-term rehabilitation services will be a primary focus of Sanford Senior Care.

The decrease in 10 nursing care beds in the service area only represents approximately less than 1% of the total existing nursing care beds. York County has approximately 739 licensed nursing care beds. And while the demand for nursing beds will increase in the next 10 years as the "baby boomer" generation reaches nursing care age; the new facility proposes 64 NF beds that reflects replacing the current occupancy levels at Newton Center as shown in the chart below. Newton Center has averaged approximately 62 NF occupied beds in the last two years. Please refer to Exhibit IV-A: Historical Occupancy of Newton Center.

Clearly, there is a continued need for the nursing care services now provided at Newton Center and replacing this outdated facility will improve the wellbeing of residents to be served at the new facility for years to come. It is important to remember that this facility is being developed to provide senior care services for the next 40+ years. Sanford Center will replace an outdated facility with a new facility that meets the demand for state-of-the-art rehab gyms and rehab programs, a large number of private rooms that
will be demanded by baby boomers and beyond and offers a more residential "neighborhood" environment for our aging population.

Sanford Center will become a model for the next generation of nursing care facilities in Maine.

**Memory Care Assisted Living (PNMI Level IV RC Beds)**

The proposed new facility will include a 30-bed assisted living memory care "neighborhood" licensed as PNMI Level IV Residential Care. The design for the memory care neighborhood and facility builds off the design of Sandy River's new assisted living memory care facility, Avita of Wells, and its other Avita memory care facilities in Maine, as well as Sedgewood Commons, the state's first multi-level facility dedicated entirely to memory care.

The 30-bed memory care (RC) program effectively replaces the Pavilion (24 beds memory care) and Hillcrest (14 RC beds).

The demand for high level memory care services continues to significantly grow throughout York County and the service area. Avita of Wells, the closest provider of assisted living memory care, is currently operating at a 95% occupancy level and has a waiting list. And while there are other memory care services in older residential care homes in the market area, Sanford Senior Care will meet the needs for residents with memory loss by providing a secured homelike "neighborhood" environment and programming with all private rooms.

**B. Certificate of Need Unit Discussion**

**i. CON Standards**

Relevant standards for inclusion in this section are specific to the determination that there is a public need for the proposed services as demonstrated by certain factors, including, but not limited to:

- Whether, and the extent to which, the project will substantially address specific health problems as measured by health needs in the area to be served by the project;
- Whether the project will have a positive impact on the health status indicators of the population to be served;
- Whether the services affected by the project will be accessible to all residents of the area proposed to be served; and
- Whether the project will provide demonstrable improvements in quality and outcome measures applicable to the services proposed in the project.
ii. CON Unit Analysis

The applicant is proposing to replace 74 SNF/NF beds at Newton Center, 14 RCF beds at Hillcrest and 24 RCF beds at Pavilion with 64 SNF/NF beds and 30 RCF beds at the proposed Sanford facility. In order to determine public need, CONU analyzed demographic and service use trends in proposed Sanford facility’s service area (York County, Maine). CONU utilized the Older Adults with Physical Disabilities: Population and Service Use Trends in Maine, 2012 Edition and the Adults Using Long Term services and Supports: Population and Service Use Trends in Maine, 2014 Edition prepared by the Muskie School of Public Service and the U.S. Census Bureau’s website located at https://www.census.gov/quickfacts/

York County Maine has an estimated population of 204,191 as of July 1, 2017 with approximately 19.7% of the population age 65 or older. This population is the primary consumer of nursing and residential care services. Maine’s 65 and above age group continues to grow at a rate faster than New England and the USA as a whole. The forecasted growth in York County’s older population between 2015 and 2025 is an increase of 11,460 people (52%) between the ages of 65-74, an increase of 7,703 people (71%) between the ages of 75-84 and an increase of 1,046 people (22%) over 85. With the projected increase in the 65+ population it is likely that SNF/NF and Residential care beds will be required over the next ten years. Retaining SNF/NF and Residential care beds while modernizing a 40- year old facility will substantially address specific health problems associated with an aging population which is increasingly requiring more intensive care. The new facility will handle both a long-term care population and a short stay rehabilitation population while also providing needed memory care services in the RCF facility. This will have a positive impact on the health status indicators of the population to be served. CONU examined the latest occupancy data available for nursing and residential services in York County:

<table>
<thead>
<tr>
<th>Town</th>
<th>Nursing Facility</th>
<th>Total Capacity</th>
<th>Total Occupancy</th>
<th>% Occupancy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kittery</td>
<td>Durgin Pines</td>
<td>81</td>
<td>79</td>
<td>97.53%</td>
</tr>
<tr>
<td>Saco</td>
<td>Evergreen Manor</td>
<td>42</td>
<td>37</td>
<td>88.10%</td>
</tr>
<tr>
<td>Sanford</td>
<td>Greenwood Center</td>
<td>86</td>
<td>74</td>
<td>86.05%</td>
</tr>
<tr>
<td>Kennebunk</td>
<td>Kennebunk Center</td>
<td>78</td>
<td>64</td>
<td>82.05%</td>
</tr>
<tr>
<td>Kennebunk</td>
<td>RiverRidge</td>
<td>62</td>
<td>60</td>
<td>95.77%</td>
</tr>
<tr>
<td>Seal Rock</td>
<td>Saco</td>
<td>105</td>
<td>93</td>
<td>88.57%</td>
</tr>
<tr>
<td>Southridge</td>
<td>Biddeford</td>
<td>62</td>
<td>56</td>
<td>90.32%</td>
</tr>
<tr>
<td>St. Andre</td>
<td>Biddeford</td>
<td>96</td>
<td>83</td>
<td>86.46%</td>
</tr>
<tr>
<td>Sanford</td>
<td>Newton Center</td>
<td>74</td>
<td>64</td>
<td>86.49%</td>
</tr>
<tr>
<td>North Berwick</td>
<td>Varney Crossing</td>
<td>64</td>
<td>59</td>
<td>92.19%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>750</strong></td>
<td><strong>669</strong></td>
<td><strong>89.45%</strong></td>
</tr>
<tr>
<td>Town</td>
<td>Residential Care Facility</td>
<td>Total Capacity</td>
<td>Total Occupancy</td>
<td>% Occupancy</td>
</tr>
<tr>
<td>------------</td>
<td>---------------------------------</td>
<td>----------------</td>
<td>-----------------</td>
<td>-------------</td>
</tr>
<tr>
<td>Wells</td>
<td>Avita of Wells</td>
<td>70</td>
<td>62</td>
<td>88.57%</td>
</tr>
<tr>
<td>South Berwick</td>
<td>Berwick Estates</td>
<td>37</td>
<td>31</td>
<td>83.78%</td>
</tr>
<tr>
<td>Biddeford</td>
<td>Biddeford Estates</td>
<td>89</td>
<td>63</td>
<td>70.79%</td>
</tr>
<tr>
<td>Biddeford</td>
<td>Hunt Family Enterprises</td>
<td>20</td>
<td>17</td>
<td>85.00%</td>
</tr>
<tr>
<td>Saco</td>
<td>Inn at Atlantic Heights</td>
<td>34</td>
<td>37</td>
<td>108.82%</td>
</tr>
<tr>
<td>York</td>
<td>Sentry Hill</td>
<td>26</td>
<td>22</td>
<td>84.62%</td>
</tr>
<tr>
<td>Biddeford</td>
<td>Southridge</td>
<td>46</td>
<td>44</td>
<td>95.65%</td>
</tr>
<tr>
<td>Springvale</td>
<td>The Lodges</td>
<td>57</td>
<td>55</td>
<td>96.49%</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>379</td>
<td>331</td>
<td>89.22%</td>
</tr>
</tbody>
</table>

In 2010 York County had 24 nursing beds per 1,000 persons age 65 and above as compared to the State average of 33 beds per 1,000 persons age 65 and above. In 2010 York County has 12 Residential Care beds per 1,000 persons age 65 and above compared to the State average of 20 Residential Care beds. The available beds in York County is below the State average. The most recently available occupancy statistics above show an average occupancy of 89.45% for nursing homes and 89.22% for Residential Care beds clearly demonstrating a continuing need for SNF/NF and RCF services in the York County area. This project is not adding additional beds to the system but is simply creating an updated facility.

The applicant will offer the services affected by the project to all residents of the area proposed to be served and therefore will ensure accessibility of the service.

The project will provide demonstrable improvements in the outcome measures for patients that require skilled and long-term services and residents with Alzheimer’s disease and other dementias. This new facility will be replacing the Newton Center which was built in 1974. The existing building is small and crowded and none of the bathrooms meet ADA standards. There was no onsite kitchen requiring meals to be delivered from the hospital. The now closed Hillcrest Center housed residential care patients in the basement of the Newton Center. Building a state-of-the-art replacement facility will positively impact the quality of life of residents.

**CONU Note #2**

Although the 30 residential care beds associated with this project are not subject to all of the requirements of the Certificate of Need statute CONU is required to determine bed need per Chapter 103 A §333-A 3(A)).

**iii. Conclusion**
Sanford Senior Care Center
Preliminary Analysis

Replacement of Newton Center

The Certificate of Need Unit recommends that the Commissioner find that the applicant has met their burden to show that there is a public need for the proposed project.
V. Orderly and Economic Development

A. From Applicant

This proposal involves meeting the budget neutrality requirements for nursing facility projects in Maine as shown in the Economic Feasibility section. The new facility also replaces a 40 plus year old outdated facility with a new state-of-the-art nursing and memory care facility that will serve elderly in York County for the next 40 years.

This project also strengthens the relationship between Southern Maine Health Care, a member of MaineHealth, the largest acute care system in Maine. The new facility will ensure that senior care services will continue to be part of the SMHC campus. North Country will also manage the existing Newton Center during construction and relocate NF level residents that choose to move to the new facility upon opening. Existing staff will have the opportunity to move with residents to the new facility. This will reduce startup costs.

Please also note that building and operating an efficient 94 bed facility will offer economies of scale over the existing significantly outdated 74 bed nursing programs at Newton Center.

North Country has a strong relationship with MaineHealth and discussions are underway to work together programmatically both on this new center and other nursing facilities in Maine.

Again, given that the availability of the Mainecare income stream is being used to offset the cost of constructing a new replacement facility, there will be no overall increase in costs to the Maine healthcare system and health care expenses. This proposal will be Medicaid neutral and add no additional cost to the State’s Medicaid program.

Furthermore, the facility will replace the existing Newton Center and offer a high-level skilled rehab program focusing on providing services to persons who have had an acute event and with appropriate rehabilitation services can return home or to the community. Without the strong rehab programs of facilities such as the proposed new facility, there would be increased usage of NF Mainecare beds and increased financial pressure on Maine’s health care expenses. Patients with high acuity care needs would either remain in the acute care sector longer or be admitted inappropriately to a traditional long-term care setting within a nursing home. The new facility’s focus on a strong transitional care unit and program saves the State resources by transitioning acute care residents through specialized rehab programs and returning them back home. Without such programs, the percentage of seniors with an acute episode/event who would end up in long term care within a nursing home could be much higher.
B. Certificate of Need Unit Discussion

i. CON Standards

Relevant standards for inclusion in this section are specific to the determination that the proposed services are consistent with the orderly and economic development of health facilities and health resources for the State as demonstrated by:

- The impact of the project on total health care expenditures after taking into account, to the extent practical, both the costs and benefits of the project and the competing demands in the local service area and statewide for available resources for health care;

- The availability of state funds to cover any increase in state costs associated with utilization of the project's services; and

- The likelihood that more effective, more accessible or less costly alternative technologies or methods of service delivery may become available.

ii. CON Unit Analysis

This transaction involves building a replacement facility for an outdated nursing facility (Newton Center) and residential care facilities (Hillcrest and Pavilion). The decision to build the Sanford replacement facility was made in response to a demonstrated need for these services in York County. This project will provide memory care services in the 30 bed Residential Care unit with a secured homelike environment and programming with all private rooms. The 64 bed SNF/NF will offer both long-term care and skilled rehab services.

As discussed in the Economic Feasibility section of this analysis, increased operating costs were offset by the purchase of the MaineCare revenue stream from LincolnHealth. This project will not increase total healthcare costs therefore additional State funding is not required.

The Newton Center, Hillcrest and Pavilion provided necessary services in the York County area for decades. The decision to build a replacement facility was made after careful review. It is not feasible to upgrade the current facility due to design and space constraints of the existing facility which makes it inadequate to meet current and future needs. The proximity to Southern Maine Health Care makes this an ideal site allowing senior care services to remain part of the Southern Maine Heath Care campus. Current Newton Center staff will have an opportunity to move with residents to the new facility reducing startup costs. It is unlikely that a more effective, more accessible or less costly alternative for providing needed SNF/NF and Residential Care services is available.

iii. Conclusion

The Certificate of Need Unit recommends that the Commissioner find that the applicant has met its burden to demonstrate that the proposed project is consistent with the orderly and economic development of health facilities and health resources for the State.
VI. Outcomes and Community Impact

A. From Applicant

The proposed replacement facility for Newton Center will expand rehabilitation services on the hospital campus with a focus on providing services to persons who have had an acute event and with appropriate rehabilitation services are able to return home. Without the strong programs of facilities such as the proposed new facility, there would undoubtedly be increased usage of NF Mainecare beds and a decrease in positive outcomes for Maine’s elderly. Sanford Center will have an excellent reputation as a leader in long-term care services in Maine as well as strong reputation as a rehabilitation provider and hospital discharge option in the service area.

This project would not have a negative impact on quality and outcome of its proposed services, but rather would have several positive attributes.

Improving Healthcare Outcomes

Sanford Center will be affiliated with a network of skilled nursing facilities located throughout Maine operated by North Country. Each facility has an excellent track record of providing high-quality services to its residents. Through its division of professional services, North Country provides program enhancement, policy development, care audits and inspection, clinical nurse consultants, and compliance monitoring with Federal and State regulations. These services along with on-site professional staff training have aided in the development of policies and procedures that lead to positive health outcomes. These program enhancements and procedures are shared with the other facilities allowing for continuous feedback and education of the staff. This enables each facility to develop new knowledge bases and put new treatment strategies into practice for improving health outcomes. Through ongoing involvement in the Advancing Excellence Campaign our goal would be for the facility to continue to improve in areas such as consistent assignments, reducing hospitalizations or reducing antipsychotic medication, to name a few.

High Quality Care

As detailed further in other sections, North Country has consistently fostered a culture that promotes high-quality care in a safe environment. Its mission is to provide residents and their families with superior care delivered by staff dedicated to the principals of kindness, compassion, service and excellence in an environment where individuality, dignity and value of those who are served, as well as those who serve, is nurtured and appreciated. As part of the North Country network and in concert with its mission, employees will be sufficiently trained through educational programs for continued implementation of these goals and values. All North Country facilities are involved in a corporate structure designed to review resident/facility safety as well as quality assurance and performance improvement.
B. Certificate of Need Unit Discussion

i. CON Standards

Ensures high-quality outcomes and does not negatively affect the quality of care delivered by existing service providers.

ii. CON Unit Analysis

The replacement of outmoded facilities with a modern, state of the art facility focusing on long-term care, skilled rehab, and memory care lead to significant improvements in health and satisfaction as outlined in previous sections of this analysis. A focus on skilled beds and rehabilitative services, in the York County area will have a positive effect on the quality of care delivered. This project will not have a negative effect on the quality of care delivered by existing service providers. Seniors needing short term care will have a greater likelihood of finding the services offered in the area they reside. Rehabilitative services increase the likelihood that patients completing appropriate sub-acute rehab will end up returning home and/or to community-based services rather than placed in a costly long-term care setting. This reintroduction of a patient into the at-large community is consistent with the goals of the department and national trends of extending home-based services. North Country’s has documented its focus on program enhancement, policy development, care audits and inspection, clinical nurse consultants, staff training and compliance monitoring with Federal and State regulations. This focus leads to high-quality outcomes.

iii. Conclusion

Certificate of Need Unit recommends that the Commissioner find that the applicant has met their burden to demonstrate that this project will ensure high-quality outcomes and does not negatively affect the quality of care delivered by existing service providers.
VII. Service Utilization

A. From Applicant

The Maine Quality Forum is geared towards Hospital and Physician based healthcare and thus its evidence-based medicine principals are generally not applicable to this application. Yet the underlying theme of inappropriate admissions, services or testing is pertinent in all healthcare delivery settings; nursing facilities included.

There is a combination of ways inappropriate NF and residential care utilization is mitigated.

Consumers seeking NF admission and who will rely on MaineCare to pay for their care must have a physician’s order, meet the strident medical eligibility standards of DHHS and qualify based on an assessment of their income and assets. They must also receive a Goold assessment that documents NF level of care is needed based on DHHS medical eligibility standards. Generally speaking, MaineCare consumers who seek NF admission must have a three ADL loss or have cognition challenges which qualify them under Maine’s eligibility standards. The assessments continue on a set schedule to assure continuing need for NF level of services.

Medicare also establishes medical necessity standards for skilled care thus insuring only appropriate cases are served. Prior to the expansion of skilled care in nursing facilities most cases were treated in hospitals at significantly higher cost.

North Country has written corporate compliance policies that require all employees to follow State and Federal laws governing the provision of nursing facility and residential care services. North Country offers employees a compliance hot line whereby they can anonymously contact its corporate compliance officer, who follows up on all reports. The hot line is a vital component for learning of and stopping inappropriate practices that do not comply with laws and regulations.
B. **Certificate of Need Unit Discussion**

i. **CON Standards**

Relevant standards for inclusion in this section are specific to the determination that the project does not result in inappropriate increases in service utilization, according to the principles of evidence-based medicine adopted by the Maine Quality Forum as established in Title 24-A, section 6951, when the principles adopted by the Maine Quality Forum are directly applicable to the application.

ii. **CON Unit Analysis**

The Maine Quality Forum has not adopted any principles of evidence-based medicine directly applicable to the application; therefore, this application meets the standard for this determination.

This application will decrease the number of MaineCare funded SNF/NF beds in the York County service area by 10 and decrease the Residential Care beds by 8. This will not drastically change the services offered in the area and will not result in inappropriate increases in utilization.

iii. **Conclusion**

Certificate of Need Unit recommends that the Commissioner find that the applicant has met their burden to demonstrate that the project does not result in inappropriate increases in service utilization, according to the principles of evidence-based medicine adopted by the Maine Quality Forum.
VIII. Consistency with MaineCare Funding Pool

A. From Applicant

N/A

B. Certificate of Need Unit Discussion

   i. CON Standards

   In the case of a nursing facility project that proposes to add new nursing facility beds to the inventory of nursing facility beds within the State, is consistent with the nursing facility MaineCare funding pool and other applicable provisions of sections 333-A and 334-A.

   ii. CON Unit Analysis

   The applicant is not adding new nursing facility beds to the inventory of nursing facility beds within the State.

   No funding is utilized from the MaineCare funding pool.

   iii. Conclusion

   Certificate of Need Unit recommends that the Commissioner find that the applicant has met their burden to demonstrate that the project is consistent with the nursing facility MaineCare funding pool and other applicable provisions of sections 333-A and 334-A.
IX. Timely Notice

A. From Applicant

The applicant fully intends to follow the appropriate procedures outlined in the CON Procures Manual to include all requirements for public meetings.

B. Certificate of Need Unit Discussion

Letter of Intent filed: November 15, 2018
Technical assistance meeting held: Waived
CON application filed: January 7, 2018
CON certified as complete: January 7, 2018
Public Information Meeting held: Waived
Public Hearing held: N/A
X. Findings and Recommendations

Based on the preceding analysis, including information contained in the record, the Certificate of Need Unit recommends that the Commissioner make the following findings:

A. The applicant is fit, willing and able to provide the proposed services at the proper standard of care as demonstrated by, among other factors, whether the quality of any health care provided in the past by the applicant or a related party under the applicant’s control meets industry standards.

B. The economic feasibility of the proposed services is demonstrated in terms of the:

1. Capacity of the applicant to support the project financially over its useful life, in light of the rates the applicant expects to be able to charge for the services to be provided by the project; and

2. Applicant’s ability to establish and operate the project in accordance with existing and reasonably anticipated future changes in federal, state and local licensure and other applicable or potentially applicable rules;

C. There is a public need for the proposed services as demonstrated by certain factors, including, but not limited to;

1. The extent to which the project will substantially address specific health problems as measured by health needs in the area to be served by the project;

2. The project has demonstrated that it will have a positive impact on the health status indicators of the population to be served;

3. The project will be accessible to all residents of the area proposed to be served; and

4. The project will provide demonstrable improvements in quality and outcome measures applicable to the services proposed in the project;

D. The proposed services are consistent with the orderly and economic development of health facilities and health resources for the State as demonstrated by:

1. The impact of the project on total health care expenditures after taking into account, to the extent practical, both the costs and benefits of the project and the competing demands in the local service area and statewide for available resources for health care;

2. The availability of State funds to cover any increase in state costs associated with utilization of the project’s services; and

3. The likelihood that more effective, more accessible or less costly alternative technologies or methods of service delivery may become available was demonstrated by the applicant;
E. The project ensures high-quality outcomes and does not negatively affect the quality of care delivered by existing service providers:

F. The project does not result in inappropriate increases in service utilization, according to the principles of evidence-based medicine adopted by the Maine Quality Forum; and

G. The project is consistent with the nursing facility MaineCare funding pool and other applicable provisions of sections 333-A and 334-A.

For all the reasons contained in this preliminary analysis and based upon information contained in the record, Certificate of Need Unit recommends that the Commissioner determine that this project should be approved.