Date: March 12, 2019

Project: Seaside Healthcare Addition of 10 SNF/NF Beds

Proposal by: First Atlantic Healthcare

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

Directly Affected Party: None

Certificate of Need Unit Recommendation: Approval

<table>
<thead>
<tr>
<th>Proposed Per Applicant</th>
<th>Approved CON</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated Capital Expenditure</td>
<td>$ 200,000</td>
</tr>
<tr>
<td>Maximum Contingency</td>
<td>$ 0</td>
</tr>
<tr>
<td>Total Capital Expenditure with Contingency</td>
<td>$ 200,000</td>
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<tr>
<td>Pro-Forma Marginal Operating Costs</td>
<td>$ 735,252</td>
</tr>
<tr>
<td>MaineCare Neutrality Established</td>
<td>Yes</td>
</tr>
</tbody>
</table>
I. Abstract

A. From Applicant

From Applicant

This application is prepared in accordance with Section 71.05 of the Division of Licensing and Regulatory Services Policy Manual, Certificate of Need for Nursing Facility Level of Care Projects.

On behalf of Seaside Healthcare, LLC, a managed First Atlantic Healthcare facility, this application seeks approval to add an additional 10 SNF/NF beds to its license. Since the addition of nursing facility beds triggers compliance with the Maine Certificate of Need Act of 2002 we have prepared this application for your review and approval.

Background:
Seaside Healthcare, is located on Baxter Boulevard in Portland, Maine and has been a multi-level long term care facility offering SNF/NF and residential care services to the elderly in the greater Portland area. Seaside has been in operation since the 1970’s and has been under the leadership of First Atlantic Healthcare since 1997. The facility is headed by Matthew Lessard, an experienced multi-level nursing facility administrator.

The facility is dually licensed for Medicare and Medicaid in its 137 skilled nursing facility beds, and until recently Seaside also operated a distinct part, 30-bed RCF Private Non-Medical Institution. Space made available by closure of the RCF PNMI (Nov 14th) provided an opportunity to increase the number of private rooms for nursing facility residents which is how that vacated space is being used today. An increase in the licensed capacity for NF services now will promote a cost-efficient balance of private and semi-private rooms in that space without the need for expensive new construction. Today the facility averages approximately 132 residents in its 137 beds for an occupancy rate of 96%.

Proposed Change:
This proposed change would add 10 additional SNF/NF beds, increasing the current nursing facility capacity by 7%, or to a total of 147 beds. Seaside manages a brisk short-term rehab business with an excess of 45 discharges to home on a monthly basis. Additional beds will allow Seaside flexibility to accommodate a higher average census. At present, occupancy now regularly bumps against our licensed bed capacity due to daily ebbs and flows from its short-term-stay skilled population. More importantly, the increase will partially offset nursing facility beds lost in Cumberland County due to recent closures of facilities in Bridgton, Fryeburg and Freeport. These closures reduced the county inventory by 134. Also, 8 additional Mainecare eligible NF beds were delicensed by Cedars as an element of a department approved project dated July 9, 2018. Approval of Seaside’s project will partially restore the local loss of Mainecare funded SNF/NF services, an important consideration as census forecasts predict an expanding need for nursing facility services in southern Maine.
We propose to accomplish this licensure change within the existing Seaside Healthcare building. As already noted, the facility was licensed for 167 beds (137 SNF/NF and 30 RCF). After the change the facility will operate 147 SNF/NF beds. This change creates the opportunity to both increase number of SNF/NF beds and create more private rooms. No new construction is needed, and therefore the SNF/NF licensed-bed capacity can expand at minimal cost. We expect the licensure changes requested in this application would occur within 30 days after receipt of CON approval.

**Capital Costs and MaineCare Neutrality:**
Because no new construction is needed to add these 10 new beds, the capital expenditure is expected to be limited to $200,000 in minor renovations of the prior RCF wing, or well below the $5.4 million threshold for capital projects needed CON approval. Much of the resident room furniture used by the RCF residents will be repurposed for provision of SNF/NF services, with new purchases needed only for routine replacements and to manage the higher acuity care needs of a SNF/NF population.

In addition to adding beds, we are also requesting approval to refinance existing debt. Interest rates on the facility’s existing variable rate notes have risen sharply in the last two years from 3.04% to 4.63% today, a 52% increase! In an effort to limit interest rate exposure we’re proposing to refinance current variable rate debt to fixed rates. The cost of borrowing related to closing costs an anticipated 5.1% interest rate as we convert debt to a fixed rate option is included in our enclosed financial forecasts and proforma cost report.

The project will not add to Maine’s healthcare spending. Mainecare resources made available from the closure of the 30 RCF PNMI beds will largely fund the 10-bed SNF/NF expansion.

**CONU Comment #1:**

According to 22 M.R.S.A §334-A (1) a certificate of need is required for:

**Nursing facility projects that expand current bed capacity.**
II. Fit, Willing and Able

A. From Applicant

Seaside has provided quality nursing facility care since the 1970s in Portland, and for over 20 years under the management of First Atlantic Healthcare. The facility applicant is well-known by the community as a provider of exceptional nursing facility services. This proposal to add 10 SNF/NF beds represents a 7% increase in Seaside’s bed licensure, an increase that is easily accommodated by the current facility staff and represents a familiar level of care for us. Aside from isolated deficiencies that have been corrected in a timely manner Seaside has operated in compliance with State and Federal licensing standards.

Quality ratings:
As of today, Medicare’s Nursing Home Compare rating for Seaside is Above Average or 4 stars out of 5.

By rating category:
- Staffing – much above average – 5 stars
- Quality – Average - 3 stars
- Health Inspections – Average - 3 stars

Recently US News and World Report rated Seaside as one of the best performing nursing facilities in the nation with an overall rating of “high performing” and short-stay rating of “average”. Our company is proud of Seaside’s quality achievements and an expansion of SNF/NF services at this facility will serve the community well.

Its manager and owners:
Seaside is affiliated and managed by First Atlantic Healthcare, a Maine-based company with significant experience in operating long-term care facilities. Its senior executives have been at the helm for many years guiding operations of the facilities they serve.

The following individuals comprise the senior executives at FAH, each with 20 plus years’ experience serving the long-term care needs in Maine:
- Kenneth Bowden, CEO and owner
- Craig Coffin, CDO and owner
- Wanda Pelkey, CFO
- Andrea Otis-Higgins, COO
- Ronald Coffin, owner

And the senior-living healthcare facilities managed by First Atlantic Healthcare are as follows:
Seaside has a proven track record of providing health care services in a manner consistent with applicable Federal certification and State licensing standards. The applicant refers the Division of Licensing and Certification for confirmation that the applicant and above-named entities have had isolated deficiencies that have been corrected on a timely basis. Seaside has no current outstanding licensing issues requiring resolution.

Neither First Atlantic Healthcare nor any of the owners of the organization has been barred from participation in the Medicare or MaineCare programs at any time or found guilty of any infractions that would eliminate their participation in this project.

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**

Seaside Rehabilitation and Health Care Center (Seaside) is licensed for 137 SNF/NF beds. The facility is located at 850 Baxter Boulevard in Portland, Maine. The administrator is Matthew Lessard. The license was issued on January 22, 2019 and is valid from February 1, 2019 to January 31, 2021.

A review of Seaside’s last completed survey data available from Medicare.gov website revealed the following ratings:
Seaside Rehabilitation and Health Care Center

Nursing Home Compare Ratings

<table>
<thead>
<tr>
<th>Category</th>
<th>Ratings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall</td>
<td>Above Average</td>
</tr>
<tr>
<td>Health Inspections</td>
<td>Average</td>
</tr>
<tr>
<td>Staffing</td>
<td>Much Above Average</td>
</tr>
<tr>
<td>Quality Ratings</td>
<td>Average</td>
</tr>
</tbody>
</table>

Seaside scored “Above Average” or “Much Above Average “in two out of four categories rated by CMS with an overall rating of “Above Average”. The last standard health inspection was completed on 5/26/2017. The result of the survey was the identification of two health deficiencies. There was one Level 1 (potential for minimal harm) and one Level 2 (minimal harm or potential for actual harm) deficiency. The average number of health deficiencies identified during a recertification survey in Maine is 2.94 and the average number of health deficiencies in the United States is 5.8.

Inspectors determined that the nursing home failed to:

1) Maintain comfortable and safe temperature levels.

2) Maintain drug records and properly mark/label drugs and other similar products according to accepted professional standards.

All deficiencies were corrected by June 9, 2017.

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 Division of Licensing and Certification conducted a complain investigation at Seaside on October 4, 2018. Seaside received two deficiencies for failing to develop a comprehensive person-centered care plan for two residents and failing to include appropriate hemodialysis access care for one resident. A plan of correction was submitted on October 22, 2018 and accepted by the Maine Department of Health and Human Services, Division of Licensing and Certification on October 25, 2018.

Survey data for this facility can be accessed at Medicare.gov and/or 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.

Seaside has been a provider of SNF/NF nursing services since the 1970’s and under the management of First Atlantic for twenty years. The services proposed by the applicant are consistent with applicable licensing and certification standards.

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

Our enclosed proforma financial statement demonstrates feasibility and sustainability of the proposed project now and in the near future. Historically, Mainecare payment rates have kept pace with inflation and while shortfalls persist, Maine’s legislature has shown a willingness to provide inflation adjustments and rebase NF rates periodically. Indeed, in recent legislative relief, LD 1776 and LD 925 requires the State to regularly reset Mainecare rates, an effort intended to improve financial stability of all Maine’s nursing facilities.

Specific to Seaside, the facility adding 10 low-capital investment beds strengthens its ability to remain profitable despite the dependence on MaineCare payments to support operations.

Beyond adding SNF/NF beds and generating improved cost efficiencies, we also propose to refinance our $6.8 million of variable interest rate debt with fixed rate borrowings. This will shield the facility from costs of a rapidly rising interest rate. In two years Seaside’s interest rates have risen 52% costing $102,000 more in yearly interest expense and economists predict even more rate hikes in the near-term. We propose to limit this anticipated interest rate risk exposure by refinancing to fixed rates. New borrowings will be limited to refinancing today’s debt balances, and new borrowings to finance the $200,000 of planned renovations and closing costs relating to the new debt instrument. To extent today’s debt is allowable, we request the new loan’s cost of borrowing will be allowable and reimbursable too.

Furthermore, we have considered the estimated impacts of Federal Requirements of Participation, State and local minimum wage rate increases, Federal Value-Based-Purchasing and Patient Driven Payment Model (PDPM) in the submitted proforma financial statement (Exhibit A) and cost report (Exhibit D). Otherwise we are not aware of any imminent or proposed changes in laws and regulations that would negatively affect the economic feasibility of the project.

Based upon our proforma and integral assumptions our forecasts demonstrate economic feasibility and sustainability, and assert that our firm’s history of compliance, ability to manage costs and maintain high occupancy in our facilities fits well for this project, now and in the foreseeable future.

Mainecare Neutrality:
This project will have no adverse impact on Maine’s healthcare spending as our calculations show the Mainecare cost increase for new SNF/NF beds at Seaside is funded by the recent elimination of 30 RCF Level IV PNMI beds and other available Mainecare resources. We demonstrate this in Exhibit C using actual Mainecare utilization for the current 137 SNF/NF beds and a theoretical utilization of 100% for the 10 new beds. Calculations for neutrality are listed in Exhibit B.
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

Financial Feasibility and Staffing

The applicant provided a pro-forma cost report that represents the change in the provided service level. The applicant has closed its current 30 residential care beds and proposes adding 10 dually licensed SNF/NF beds to its current licensed capacity bringing its total licensed bed capacity from 137 to 147 SNF/NF beds. As stated by the applicant this transaction is taking place so that Seaside can provide additional SNF/NF services in an area that has been negatively impacted by nursing facility closures. Capital expenditures associated with this project are minimal ($200,000). Existing space vacated by Residential Care residents can be retrofitted and existing furniture/equipment can be repurposed for nursing home resident usage. CONU reviewed the underlying assumptions regarding capital costs, MaineCare utilization and reimbursement rates and found them reasonable. Increased staffing will be required to perform the services required by the occupants of the additional SNF/NF beds. Increases in RN, LPN and CNA positions will be partially offset by decreases in Residential Care personnel. The change in bed complement to add SNF/NF beds as well as the analysis of need located in Section IV of this analysis supports the applicants’ assertion that this project is financially feasible and will maintain the financial stability of Seaside. 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 Seaside’s original 137 beds SNF/NF and 30 bed Residential Care capacity and the proposed 147 bed SNF/NF capacity. The current calculated MaineCare utilization for SNF/NF and Residential Care is $14,700,801. The proposed calculated MaineCare utilization is $15,435,851. The increase in MaineCare utilization is $735,050, which is based on 95% occupancy. See calculation below:
Seaside Healthcare
Preliminary Analysis

<table>
<thead>
<tr>
<th>Seaside</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>Current Beds - SNF/NF</td>
<td>137</td>
<td>365</td>
<td>0.95</td>
<td>47505</td>
<td>$285.10</td>
<td>$13,543,676</td>
</tr>
<tr>
<td>Current Beds - RCF</td>
<td>30</td>
<td>365</td>
<td>0.95</td>
<td>10403</td>
<td>$111.23</td>
<td>$1,157,126</td>
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<tr>
<td>Total Current</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>$14,700,801</td>
</tr>
<tr>
<td>Proposed Beds</td>
<td>147</td>
<td>365</td>
<td>0.95</td>
<td>50972</td>
<td>$302.83</td>
<td>$15,435,851</td>
</tr>
<tr>
<td>Increased(Decreased)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$735,050</td>
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</table>

The increased resources needed for this project will be offset with MaineCare funding of $412,946 from the Seaport CON and $322,104 from Volmer’s bed rights.

<table>
<thead>
<tr>
<th>Seaside</th>
<th>Beds</th>
<th>Days</th>
<th>Occupancy</th>
<th>Utilization</th>
<th>MaineCare Rate</th>
<th>MaineCare Cost</th>
</tr>
</thead>
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<tr>
<td>Current Beds - SNF/NF</td>
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<td>365</td>
<td>0.95</td>
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<td>$111.23</td>
<td>$1,157,126</td>
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<td>Seaport CON</td>
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<td></td>
<td></td>
<td></td>
<td>$412,946</td>
</tr>
<tr>
<td>Volmer’s</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$322,104</td>
</tr>
<tr>
<td>Total Current Resources</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>$15,435,851</td>
</tr>
<tr>
<td>Proposed Beds</td>
<td>147</td>
<td>365</td>
<td>0.95</td>
<td>50972</td>
<td>$302.83</td>
<td>$15,435,851</td>
</tr>
<tr>
<td>Increased(Decreased)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$0</td>
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</table>

The table above indicates that MaineCare neutrality has been achieved.

**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.

Seaport has been a provider of SNF/NF nursing services for many years. The services proposed by the applicant are of a similar size and scope of the services provided by the applicant during the most recent 3-year period 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. The applicant stated that they have considered the estimated impacts of Federal Requirements of Participation, State and local minimum wage rate
increases, Federal Value-Based-Purchasing and Patient Driven Payment Model (PDPM) in the submitted proforma financial statements and pro forma cost report.

### 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

From 2017 bed availability and occupancies, Cumberland County had 1,655 licensed nursing facility beds and 88.8% occupancy. Since then, Bridgton Health Care Center and Freeport Nursing and Rehab Center have ceased operating NF beds. The project will have a positive impact on the health status of individuals who will be served by this project. As noted above, Seaside has been recognized as an Above Average, 4-star-rated facility by CMS and a High-Performing facility by US News and World Report for the nursing facility services it provides. Care for residents in the proposed new beds will enjoy Seaside’s continuing commitment of exemplary care and services. Services will be made available to all residents in the service area who qualify for nursing facility services based on applicable clinical and financial eligibility criteria. Seaside follows non-discrimination practices for admission and employment.

Caring for those needing short-term rehabilitation care is Seaside’s expertise. A vast majority of Seaside’s admitted residents return home, with most supported by ongoing home health care. This business emphasis minimizes overall costs of healthcare in Maine and improves our residents’ quality of life. Our goal: get them well, and get them home. Seaside provides the post-acute care needed for proper healing and strengthening, then returns them home to their families.

Seaside also specializes in care for Veteran’s Administration (VA) beneficiaires. As a VA contractor, Seaside follows care policies that go well beyond normal nursing facility State and Federal regulations. The facility cares for 8-10 VA residents each day, all of whom require specialized care for their war-related physical and mental disabilities.

So, along with providing great nursing facility care to traditional long-term care residents, Seaside’s specialty services are important and necessary in the continuum of care for Portland area elderly.

Cumberland County Trends and Impacts on Public Need for SNF/NF Services:

To determine public need, we considered recent closures of SNF/NF beds and current nursing facility occupancies. We obtained the most recent occupancy data made available from filed MaineCare cost reports (2017) for NF providers in Cumberland 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>Portland</td>
<td>Barron Center</td>
<td>219</td>
<td>197</td>
<td>89.95%</td>
</tr>
<tr>
<td>Yarmouth</td>
<td>Brentwood Rehab &amp; Nursing Center</td>
<td>78</td>
<td>65</td>
<td>83.33%</td>
</tr>
<tr>
<td>Bridgton</td>
<td>Bridgton Health Care Center</td>
<td>43</td>
<td>35</td>
<td>81.40%</td>
</tr>
<tr>
<td>Portland</td>
<td>Cedars Nursing Care Center</td>
<td>102</td>
<td>86</td>
<td>84.31%</td>
</tr>
<tr>
<td>Yarmouth</td>
<td>Coastal Manor</td>
<td>39</td>
<td>37</td>
<td>94.87%</td>
</tr>
<tr>
<td>Falmouth</td>
<td>Falmouth By The Sea</td>
<td>65</td>
<td>57</td>
<td>87.69%</td>
</tr>
<tr>
<td>Freeport</td>
<td>Freeport Nursing &amp; Rehab Center</td>
<td>61</td>
<td>50</td>
<td>81.97%</td>
</tr>
<tr>
<td>Gorham</td>
<td>Gorham House *</td>
<td>52</td>
<td>48</td>
<td>92.31%</td>
</tr>
<tr>
<td>Freeport</td>
<td>Hawthorne House *</td>
<td>63</td>
<td>56</td>
<td>88.99%</td>
</tr>
<tr>
<td>Brunswick</td>
<td>Horizons Living and Rehab Center</td>
<td>65</td>
<td>63</td>
<td>96.92%</td>
</tr>
<tr>
<td>Windham</td>
<td>Ledgewood Manor</td>
<td>60</td>
<td>47</td>
<td>78.33%</td>
</tr>
<tr>
<td>Scarborough</td>
<td>Maine Veterans Home - Scarborough</td>
<td>120</td>
<td>114</td>
<td>95.00%</td>
</tr>
<tr>
<td>Brunswick</td>
<td>Mid Coast Senior Health Center</td>
<td>42</td>
<td>37</td>
<td>88.10%</td>
</tr>
<tr>
<td>Scarborough</td>
<td>Pine Point Center</td>
<td>61</td>
<td>54</td>
<td>88.52%</td>
</tr>
<tr>
<td>Scarborough</td>
<td>Piper Shores</td>
<td>40</td>
<td>34</td>
<td>85.00%</td>
</tr>
<tr>
<td>Portland</td>
<td>Seaside Rehab &amp; Health Care</td>
<td>137</td>
<td>121</td>
<td>88.32%</td>
</tr>
<tr>
<td>Falmouth</td>
<td>Sedgewood Commons</td>
<td>91</td>
<td>85</td>
<td>93.41%</td>
</tr>
<tr>
<td>So Portland</td>
<td>South Portland Nursing Home</td>
<td>73</td>
<td>67</td>
<td>91.78%</td>
</tr>
<tr>
<td>Westbrook</td>
<td>Springbrook Center</td>
<td>123</td>
<td>111</td>
<td>90.24%</td>
</tr>
<tr>
<td>Portland</td>
<td>St Joseph's Rehabilitation and Residence</td>
<td>121</td>
<td>106</td>
<td>87.60%</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>1,655</td>
<td>1,470</td>
<td>88.82%</td>
</tr>
</tbody>
</table>

Without Freeport NH, Bridgton HCC and 8 beds Ce 1,543 1,470 95.27%

* - excludes specialty nursing facility beds and occupancy and there have been no new beds added by any provider in the area. Further, Cedars Nursing Care Center has been approved through a CON to remove 8 more Mainecare eligible nursing facility beds. Assuming unchanging demand from 2017 to today, the elimination of these beds drives a new occupancy average of 95% for Cumberland County. Clearly this determines a need for more SNF/NF services in the area.

We also analyzed demographic and service use trends in Seaside’s service area (Cumberland County, Maine). For this we used the available publication, “Older Adults with Physical Disabilities: Population and Service Use Trends in Maine, 2012 Edition”, prepared by the Muskie School of Public Service and the U.S. Census Bureau's website located at http://quickfacts.census.gov.
Cumberland County Maine is the most populous county in Maine with an estimated population of 292,500 as of July 1, 2017 with approximately 17.4% 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 Cumberland County's older population between 2012 and 2022 is an increase of 15,497 people (66%) between the ages of 65-74, an increase of 6,039 people (46%) between the ages of 75-84 and an increase of 907 people (13%) over 85. With the projected increase in the 65+ population it is likely that SNF/NF more beds will be required over the next ten years.

Adding SNF/NF beds at Seaside and continuing to focus on skilled care will substantially address specific health problems associated with an aging population which is increasingly requiring more intensive care. And it will so by continuing to provide best-in-class care to all eligible elderly in the service area.

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 add 10 SNF/NF beds to Seaside. In order to determine public need, the applicant analyzed demographic and service use trends in Seaside’s service area (Cumberland County, Maine). The applicant utilized the Older Adults with Physical Disabilities: Population and Service Use Trends in Maine, 2012 Edition, prepared by the Muskie School of Public Service and the U.S. Census Bureau’s website located at http://quickfacts.census.gov. In summary, this publication forecasts a rapidly aging population with a growing need for SNF/NF services. CONU further verifies these findings by utilizing Adults Using Long Term Services and Supports: Population and Service Use Trends in Maine, State Fiscal Year 2014 edition also prepared by the Muskie School of Public Service.
This publication includes 10-year population projection tables (2015 to 2025) for Cumberland County Maine. The 65-74, 75-84 and 85+ age groups are expected to grow by 43%, 68% and 12% respectively over this 10-year time frame. With the projected increase in the 65+ population it is likely that additional SNF/NF beds will be required over the next ten years. Retaining SNF/NF beds would substantially address specific health problems associated with an aging population that increasingly requires more intensive care. The applicant examined 2017 cost report occupancy data for nursing services in Cumberland County and determined an 88.82% occupancy rate prior to the closing of Bridgton, Freeport and the delicensing of 8 Cedar’s Nursing Home beds. After the closing of these beds the occupancy rate climbs to 95.27%. CONU updated this data utilizing the latest MaineCare Data Management Reports dated October 15, 2018.

<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>Portland</td>
<td>Barron Center</td>
<td>219</td>
<td>179</td>
<td>81.74%</td>
</tr>
<tr>
<td>Yarmouth</td>
<td>Brentwood Rehab &amp; Nursing Center</td>
<td>78</td>
<td>62</td>
<td>79.49%</td>
</tr>
<tr>
<td>Portland</td>
<td>Cedars Nursing Care Center</td>
<td>102</td>
<td>84</td>
<td>82.35%</td>
</tr>
<tr>
<td>Yarmouth</td>
<td>Coastal Manor</td>
<td>39</td>
<td>37</td>
<td>94.87%</td>
</tr>
<tr>
<td>Falmouth</td>
<td>Falmouth By The Sea</td>
<td>65</td>
<td>56</td>
<td>86.15%</td>
</tr>
<tr>
<td>Gorham</td>
<td>Gorham House</td>
<td>69</td>
<td>64</td>
<td>92.75%</td>
</tr>
<tr>
<td>Freeport</td>
<td>Hawthorne House</td>
<td>81</td>
<td>70</td>
<td>86.42%</td>
</tr>
<tr>
<td>Brunswick</td>
<td>Horizons Living and Rehab Center</td>
<td>65</td>
<td>62</td>
<td>95.39%</td>
</tr>
<tr>
<td>Windham</td>
<td>Ledgewood Manor</td>
<td>60</td>
<td>39</td>
<td>65.00%</td>
</tr>
<tr>
<td>Scarborough</td>
<td>Maine Veterans Home - Scarborough</td>
<td>120</td>
<td>116</td>
<td>96.67%</td>
</tr>
<tr>
<td>Brunswick</td>
<td>Mid Coast Senior Health Center</td>
<td>42</td>
<td>33</td>
<td>78.57%</td>
</tr>
<tr>
<td>Scarborough</td>
<td>Pine Point Center</td>
<td>61</td>
<td>53</td>
<td>86.89%</td>
</tr>
<tr>
<td>Scarborough</td>
<td>Piper Shores</td>
<td>40</td>
<td>33</td>
<td>82.50%</td>
</tr>
<tr>
<td>Portland</td>
<td>Seaside Rehab &amp; Health Care</td>
<td>137</td>
<td>115</td>
<td>83.94%</td>
</tr>
<tr>
<td>Falmouth</td>
<td>Sedge wood Commons</td>
<td>91</td>
<td>86</td>
<td>94.51%</td>
</tr>
<tr>
<td>So Portland</td>
<td>South Portland Nursing Home</td>
<td>73</td>
<td>65</td>
<td>89.04%</td>
</tr>
<tr>
<td>Westbrook</td>
<td>Springbrook Center</td>
<td>123</td>
<td>115</td>
<td>93.50%</td>
</tr>
<tr>
<td>Portland</td>
<td>St Joseph’s Rehabilitation and Residence</td>
<td>121</td>
<td>112</td>
<td>92.56%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>1586</strong></td>
<td><strong>1381</strong></td>
<td><strong>86.80%</strong></td>
</tr>
</tbody>
</table>

In 2010 Cumberland County had 41 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. (Due to the closure of two facilities and the projected downsizing of another, the average bed per 1,000 persons age 65 and above has declined). Although the available beds in Cumberland County still exceeds the State average the most recent available occupancy statistics above show an average occupancy of 86.80% clearly demonstrating a continuing need for SNF/NF services in the area.

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 services and residents with age related illnesses.

iii. Conclusion

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

The facility has room within the existing building to add the proposed 10 SNF/NF beds. Thus, with only minor renovations planned, this proposal will improve the operating efficiencies of Seaside and allow the provision of 147 beds of nursing facility services at a lower cost per resident day than at 137. Thus, on a per patient day basis, this project moves to a less costly model and also helps fill the increasing need for long-term care and skilled care services for the expanding population in Cumberland County.

Making use of existing nursing facility structures is an inexpensive way to expand the number of nursing facility beds; indeed, far less expensive than building a new facility or wing.

It should also be stressed that Seaside has a focus of caring for short-term rehabilitation patients. Seaside excels in its mission to transition patients from hospital to home, and helping its customers reach their highest level of functioning through expert skilled nursing and therapy services. Facility staff knows that for those not needing longer-term 24/7 care, the family home is a better care setting, and our philosophy aligns well with the state’s goal of managing care in the least expensive and restrictive way. We’re unaware of any potentially more effective, more accessible or less costly alternative technologies or methods to address this demonstrated need, now or in the foreseeable future.

Finally, as noted earlier Seaside is using available MaineCare funding from closure of its 30-bed RCF PNMI program to offset increases in costs from adding 10 SNF/NF beds. We believe there’s an additional need for roughly $440,000 in MaineCare resources which we plan to fund with available resources from Seaport, Vomers and Gables, in that order. See Exhibit B for neutrality calculation and list of available resources.
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

The decision to open 10 additional SNF/NF beds was made in response to a demonstrated need for these services in Cumberland County, particularly given the recent closures of two SNF/NF facilities. These changes will improve patient access to skilled nursing home services and result in positive health outcomes for elderly residents requiring these services.

Increases in operating costs associated with additional nursing home beds will be partially offset by a reduction in licensed residential care beds. The applicant also has available funding from Seaport, Volmer’s and Gables which will be utilized to achieve MaineCare neutrality. (See Economic Feasibility section of this preliminary analysis). This project will result in no increased costs to the Maine health care system. Since total health care expenditures increases are zero thanks to the MaineCare neutrality provisions, this project will not impact the availability of State funding for other providers in the area.

This project will not increase total healthcare costs and therefore additional State funding is not required.

The 10 new SNF/NF beds will be used primarily to expand Seaside’s short-term rehabilitation services. Seaside’s focus is to transition patients from the hospital to home and maximizing their ability to function independently at home. This focus on patient independence results in fewer patients requiring expensive 24/7 care. The applicant correctly points out that this focus aligns with the State of Maine’s goal of managing care in the least expensive and restrictive way which will positively impact the financial health of the facility.

This project makes use of existing infrastructure and will require little in the way of capital expenditures. This project is far more cost effective than building a new facility or a new addition to house additional SNF/NF patients. It is unlikely that a more effective, more accessible or less costly alternative for providing needed SNF/NF services is available.

iii. Conclusion
Seaside Healthcare
Preliminary Analysis

Addition of 10 SNF/NF beds

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

This application proposes to add 10 SNF/NF beds increasing the capacity of Seaside by 7%. This small percentage increase over today’s licensed capacity will not negatively impact the fine care and services Seaside provides today. And, given the strong combined occupancies of Cumberland County facilities we also believe this project will not adversely impact quality of care delivered by other existing service providers either. Rather, the additional services we propose will complement those already being delivered at Seaside and promote greater operational efficiencies. If anything, the creation of more private SNF/NF rooms manages infectious cases safely and provides quieter, more dignified, private spaces for our residents.

Both Seaside and First Atlantic Healthcare are dedicated to proper, individualized, high quality, cost-effective healthcare and services to the consumers we serve. To fulfill this vision, our company has adopted evidence based clinical best practices, and improved services through its embrace of QAPI (Quality Assurance, Process Improvement) and culture change programs. To that end, please refer to our enclosed Mission and Values statement (Exhibit C); it’s the foundation of our company culture and it speaks directly to our quest for therapeutic interventions that are curative, comforting and dynamic. As well, it speaks to consumer satisfaction and quality of residential environments that are comfortable, clean and appropriate for consumer needs thus enabling providers under our banner to become the place of choice in the communities we serve.

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 addition of 10 SNF/NF beds in the Cumberland County area will lead to significant improvements in health and satisfaction of skilled nursing consumers in the area. Seaside and First Atlantic Healthcare have adopted evidence based clinical best practices and utilize quality assurance and process improvement practices to provide individualized, high quality, cost effective services to their patients. A focus on skilled beds and rehabilitative services, in the Cumberland County area will have a positive effect on the quality of care delivered. Private SNF/NF rooms will assist in infection control and provide increased privacy for residents. The quality of care delivered by existing service providers will not be negatively affected because of the high demand for these services as shown in the Public Need section of this analysis. Seniors needing short term care will have a greater likelihood of finding the services offered in the area in which they reside. There is a state and national trend of extending home-based services to consumers. Rehabilitative services increase the likelihood that patients
Seaside Healthcare
Preliminary Analysis

Addition of 10 SNF/NF beds

completing appropriate sub-acute rehab return home and/or to community-based services rather than placed in a costly long-term care setting.

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

We believe the Maine Quality Forum has not adopted any principles of evidence-based medicine directly applicable to this application. Instead we comment on the other ways inappropriate SNF/NF utilization is mitigated at Seaside.

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 an independent clinical assessment (currently performed by Maximus) to ensure that only those meeting NF level of care gain admission, and then only after other appropriate, less expensive and restrictive options have been advised and considered. After initial admission, periodic re-assessments are performed to ensure SNF/NF level of care remains appropriate.

Medicare too establishes medical necessity standards for skilled care, thus insuring only appropriate cases are served. Furthermore, SNF utilization reduces acute hospital days at significantly higher cost.

Seaside also benefits from a talented Utilization Review Committee to ensure care provided to individuals is always reasonable and necessary. It adheres to First Atlantic Healthcare’s corporate compliance policies that require all employees to follow State and Federal laws governing the provision of nursing facility services. Our employees are always required to report any known instance of non-compliance with health care laws and regulations that govern our business through use of our anonymous corporate compliance hotline.

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 increase the number of MaineCare funded SNF/NF beds in the Cumberland County service area by 10. This will not materially change the services offered
in the area due to the closure and downsizing of nearby facilities. This transaction 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
Seaside is proposing to add new nursing facility beds to the inventory of MaineCare funded nursing facility beds, but is not requesting use of Funding Pool resources to meet the constraints of MaineCare neutrality.

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 adding 10 new nursing facility beds to the inventory of nursing facility beds within the State but is not utilizing resources 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

It is our belief that we have met all required notification standards and assert our intent to remain compliant with similar requirements in the future.

B. Certificate of Need Unit Discussion

Letter of Intent filed: December 4, 2018
Technical assistance meeting held: Waived
CON application filed: December 14, 2018
CON certified as complete: December 27, 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.