

**REVIEW OF MAT-SU COLONY SKILLED NURSING FACILITY &
MAPLE SPRINGS SKILLED NURSING FACILITY**

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BACKGROUND

This is a “comparative review” (aka “concurrent review”) of two certificate of need Applications. See 7 AAC 07.060. The originating Application for this CON review is Mat-Su Colony’s (MSC) proposed skilled nursing facility in Palmer, as it was submitted prior to Maple Springs Senior Living’s (MSSL) proposed establishment of two skilled nursing facilities, one in Wasilla and one in Palmer.

A skilled nursing facility is a type of nursing home that is recognized by Medicare and Medicaid as meeting long term health care needs for individuals who have the potential to function independently, but that require rehabilitative care as well as other nursing care and do not need hospitalization to receive this care. A doctor must be on call 24 hours a day and nursing services must be available 24 hours a day with a minimum of one registered nurse.

There are 248 skilled nursing beds in the Anchorage/Matanuska-Susitna service area, with all capacity currently located only in Anchorage. There are 2,894 assisted living beds, with approximately 2,000 assisted living beds located in Anchorage and the remaining in the Mat-Su Borough. Assisted living homes are not subject to CON.

MSC, the originating applicant is a partnership of two companies; Spring Creek Enterprises, LLC and Arleta Healthcare. They have over 100 years plus combined experience in developing and administering assisted living care and skilled nursing facilities in California, Arizona, Utah, Idaho and Washington.

MSSL, the concurrent applicant is a healthcare company with over 30 years combined experience in the Senior Healthcare sector. These services include Independent Living, Assisted Living, Memory Care, Skilled Nursing care, and Inpatient Hospice.

MSC submitted its Application for CON review in March 2016 and MSSL submitted its Letter of Intent to file an Application on April 22, 2016. MSSL submitted their Application for a CON on June 22, 2016. Accordingly, the CON program will be conducting a concurrent review under 7 AAC 07.060.

PROJECT DESCRIPTION

MAT-SU COLONY

MSC proposes a 104 bed skilled nursing facility adjacent to the Mat-Su Regional Hospital in Palmer. They propose providing post-acute care, transitional care and long term care within the facility. In addition to this they also propose to provide a secure unit for residents with treatable behavior issues. Based on the Application, MSC anticipates the long term care population will be approximately 45% of the total population, with the remaining 55% distributed among the post-acute and transitional census. They do not intend to provide any assisted living accommodations.

The total square footage of the proposed project will be 94,890 SF.

The total cost of the proposed project is \$20,748,517 and is expected to be operational in November of 2017. See *MSC CON Application* at 12.

MAPLE SPRINGS SENIOR LIVING

MSSL is proposing to construct two new continuous care retirement communities in the Matanuska-Susitna Borough. One community will be located in Wasilla and the other in Palmer; a definitive location for each had not been identified at the time of application.

The Wasilla community facility will have a total of 125 units. Of those 125 units, 60 units will be dedicated to skilled nursing; and of those 60 skilled nursing units, 10 will be housed in a Hospice House. The remaining 65 units are for assisted living; and of those 65 units 15 will be dedicated to Memory Care.

The Palmer community will have a total of 110 units. Of those 110 units, 60 units will be dedicated to skilled nursing. The remaining 50 units are for assisted living; and of those 50 units 15 will be dedicated to Memory Care. There are no hospice units planned for the Palmer facility.

The total square footage for the skilled nursing facilities in both Wasilla and Palmer is 118,200 SF, or 59,100 SF per community.

The estimated, combined cost of the skilled nursing facility portion of the project (both locations) is \$36,103,705. The estimated completion date for the Wasilla community is September, 2018. The estimated completion date for the Palmer community is December, 2018. See *MSSL CON Application* at 8.

PROJECT COSTS

MAT-SU COLONY

Total cost of the project is estimated at **\$20,748,517**

\$17,360,019 Construction Costs
\$ 671,545 Movable Equipment
\$ 2,716,953 Other Costs

MAPLE SPRINGS SENIOR LIVING

Total cost of the project is estimated at **\$34,360,929**

\$23,077,567 Construction Costs
\$ 2,112,321 Movable Equipment
\$ 9,192,039 Other Costs

PROJECT COMPARISON

	<i>Mat-Su Colony</i>	<i>Maple Springs Senior Living</i>	
		<i>Wasilla</i>	<i>Palmer</i>
<i>Total Beds-ALL TYPES</i>	104	125	110
Skilled Nursing Beds	104	50	60
Skilled Nursing:Hospice	0	10	0
Assisted Living and Memory Care	0	65	50

REVIEW

MSC and MSSL are both considered health care facilities under AS 18.07.111(8) and AS 18.07.043, and each proposed project consists of an “expenditure” that is over the \$1.5 million threshold for “construction” of a health care facility. Therefore, each project will receive general review and a service-specific review for Long-Term Nursing Care Services.

To perform this review, each entire project will first be subject to the General Review Standards. Then, “[a]fter determining whether an applicant has met the general review standards in Section I of this document, the department will apply the . . . service-specific review standards, as applicable, in its evaluation of an Application for a certificate of need.” *Alaska Certificate of Need Review Standards and Methodologies* at 23-24. Since this is a concurrent review of two competing proposals, additional considerations specified in regulation for concurrent review will also be applied in this analysis. *Alaska Certificate of Need Review Standards and Methodologies* at 3.

General Review Standards

General Review Standard #1- Documented Need:

The applicant documents need for the project by the population served, or to be served, including, but not limited to, the needs of rural populations in areas having distinct or unique geographic, socioeconomic, cultural, transportation, and other barriers to care.

Mat-Su Colony

MSC states there are currently no skilled nursing services in the Mat-Su Borough which

currently is a community in excess of 100,000 people. “The only Skilled Nursing services available are located 38 miles away in Anchorage, making it challenging for some residents and families of Mat-Su to gain reasonable access to care.” See *MSC CON Application* at 21.

In 2013, the Mat-Su Borough performed a “gap analysis”, (Mat-Su Borough Healthcare Gap Analysis, March 2013) and put together a subsequent plan to address the deficiencies. The gap analysis revealed that the population is expected to increase by over 60% by 2030 and that the senior population would more than double, and even triple in certain age brackets by the same year. “Current healthcare service offerings are not sufficient to meet the current demand placed by this growing senior population to say nothing of planning for the next 20-30 years.” See *MSC CON Application* at 20. As MSC points out, seniors must travel outside their communities for services, and “[f]amilies and individuals are often made to relocate or drive great distances to receive care creating an unnecessary burden on families who are trying to gain reasonable access to care.” *Id.* at 21.

In 2014, Spring Creek (aka MSC) along with key Mat-Su Borough community members began seeking to develop a solution for the gap in senior services in the Mat-Su Borough. They understood that a solution to the non-existent skilled nursing services status would be vital to the existing and growing healthcare infrastructure in the Mat-Su Borough.

MSC subsequently worked with a wide range of community representatives of the Borough including the Visitor’s Bureau, the Veterans Legions, Mat-Su Regional Hospital and others to develop a plan for a 104 bed skilled nursing facility to be located next to Mat-Su Regional Hospital.

The plan for the 104 bed facility is to provide a continuum of care, and MSC broke down this continuum into three distinct categories; post-acute services, transitional care and long term care. See *MSC CON Application* at 10.

Post-acute services allow residents to fully recover after their hospitalization at a lower level of care than what is provided in a hospital, but still allows for the provision of 24 hour clinical support. “The purpose of this offering will be to minimize lengthy and costly hospital stays by providing a lower cost solution to hospital providers while still ensuring a comfortable home-like environment for residents to recover with quality outcomes.” *Id.* at 10. MSC foresees the post-acute community of their facility will comprise approximately 25% of the total patient population and that the “length of stay for these individuals will vary widely based on diagnosis and medical condition but tend to be between 30-100 days.” *Id.* at 10.

Transitional care services allow residents to recover and from post-operative surgical cases, allowing “[h]ospitals to discharge residents quicker saving valuable resources as competent trained professionals continue to administer needed rehabilitation to ensure proper and lasting recovery.” See *MSC CON Application* at 11.

MSC states Anchorage and the Mat-Su hospitals had over 2,000 inpatient orthopedic cases last

year. MSC's project includes a 3,000 S.F. therapy gym which will be equipped to provide the rehabilitative therapy necessary to treat post-operative residents. MSC foresees the transitional care services community of their facility will compromise approximately 30% of their census and typical length of stay will be between 2 and 3 weeks. *Id.* at 11.

Long term care services are provided to residents who cannot discharge to a lower level of care and continue to need skilled nursing services. MSC states "those who are unable to discharge home or to a lower level of care will receive help with activities of daily living, restorative nursing care and other needs to help them progress to their highest practicable level of function." *Id.* at 11. MSC goes on to add "...[r]oughly 45% of our total population will qualify for Long Term Care services. They will vary in ages between 55-100 with the majority being age 65-90. Length of Stay will vary greatly depending on diagnosis but is generally expected to be greater than 100 days." *Id.* at 11.

In addition to these recognized levels of care provided in a skilled nursing facility, MSC also proposes to dedicate "a secure unit to care for residents with treatable behavioral issues." *Id.* at 11.

Maple Springs Senior Living

With its (2) community senior nursing facility project, Maple Springs proposes to also address the gap in senior care services and indicates "...[t]he projected rate of senior growth in the Mat-Su and the increased need for services and programs accessed by seniors, program offerings and opportunities must grow or evolve to support increased demand." See *MSSL CON Application* at 34. MSSL states "[t]he age 65 to 74 group will more than double (159.2 percent), while the age 75 to 84 group will triple (247.0 percent)... while this issue is not unique to Mat-Su, the projected rate of senior population growth in Mat-Su is roughly five times that of the nation as a whole." *Id.* at 34.

MSSL further points out that due to the current lack of any skilled nursing beds in the Mat-Su Borough, including a lack of any rehabilitative services, there is "[e]xtreme demand with over 3,700 residents above the age of 75 without skilled nursing and rehabilitation services. Nearly 23% of that number are Alaskans aged 85 or above." *Id.* at 34.

In addition to these services they identify three other services lacking in the Mat-Su Borough; hospice care, respiratory care and memory care. MSSL plans to devote a portion of its rooms in each facility to skilled nursing care (with the Wasilla facility equipped to provide 10 rooms with ventilator and tracheostomy care), assisted living and memory care with the Wasilla facility providing a dedicated unit strictly to hospice care. "Another pivotal reason why we wanted to spread out the skilled developments into 2 locations versus 1 is that it allows us to cover more geography in the densest part of the targeted area, personalize the care areas (closer to home and local services they are familiar with) and give opportunities to accommodate the relatively large borough needs outside of Wasilla and Palmer." See *MSSL CON Application* at 66.

Recommendation General Review Std #1: MSC satisfies #1; MSSL satisfies #1.

MSC demonstrates an immediate need for senior nursing facility care in the Mat-Su Borough, given the existing service area supply is solely in Anchorage. The CON service-specific review standard for long term nursing care projects estimates beds needed, five years from project implementation date (2017), assuming a skilled nursing facility occupancy rate of 90%. Given the identified service area's (Anchorage/Mat-Su Borough) existing nursing facility bed count of 248, the calculation using the methodology provided in the service specific review reflects a projected need of an additional 134 beds.

This means that MSC would meet the CON threshold based on its proposal to add 104 rooms.

MSSL also identifies the need for senior nursing facility care in the Mat-Su Borough, and cites the existing supply in Anchorage as wholly inadequate.

This means that MSSL would also meet the CON threshold based on its proposal to add 120 beds. MSSL proposes a slightly different model and concept in delivery of services. MSSL has taken into account that the Mat-Su Borough's population is spread across two distinct communities, Palmer and Wasilla, and feels keeping the specific community nuance and culture to the respective facility is an important element in delivery of services. In addition MSSL proposes additional assisted living beds; whereas MSC does not.

Currently in the Anchorage/Mat-Su Borough there are 2,894 assisted living beds or units. Over 2,000 of these units are located in Anchorage and approximately 500 are located in the Mat-Su Borough.

General Review Standard #2 – Relationship to Applicable Plans:

The applicant demonstrates that the project, including the applicant's long-range development plans, augments and integrates with relevant community, regional, state, and federal health planning, and incorporates or reflects evidence-based planning and service delivery. A demonstration under this standard should show that the applicant has checked with the department regarding any relevant state plan, with appropriate federal agencies for relevant federal plans, and with appropriate communities regarding community or regional plans.

Mat-Su Colony

Per its Application, MSC demonstrates that it considered local, regional and state governmental plans, in addition to its own internal plan. External plans include Mat-Su Borough Healthcare Gap Analysis, March 2013, Mat-Su Regional Plan for Delivery of Senior Services/the McDowell Group/HCG 2011, The Alaska State Plan for Senior Services FY 2012-2015, State of Alaska Department of Health and Social Services Alaska Commission on Aging, and the Alaska Health Care Strategies Planning Council Final Report: Summary and Recommendations, 2007. *See MSC CON Application* at 20.

MSC looked closely at the McDowell Group study, 2011 (and the Borough's subsequent gap analysis) and its recommendations which "called for an expansion of facility based services including Memory Care (assisted living) and long term/skilled nursing care". *See MSC CON Application* at 18. MSC states they were receptive "[w]hen community leaders in Mat-Su Borough invited us to learn more about the unmet needs of its senior community and reached out to us to provide a solution. With our combined experience in Post-Acute and Long Term care

development and operations, Mat-Su Colony Partners are well positioned to provide a quality Skilled Nursing experience for residents of Mat-Su Borough.” Id. at 18.

Maple Springs Senior Living

Per its Application, MSSL demonstrates that it considered local, regional and state governmental plans, in addition to its own internal strategic plan. External plans include, but are not limited to The Need for a Progressive Long Term Care Facility in the Matanuska-Susitna Valley and overall State of Alaska, March of 2016, a Statistics letter from the Director of Case Management, Mat-Su Regional Hospital, Alaska State Health Care Plan for Senior Services, FY2008-FY2011, State of Alaska, Alaska Commission on Aging, Healthy Alaskans 2010, Healthy Alaskans 2020, Mat-Su Regional Plan for Delivery of Senior Services/McDowell Group in association with Health Dimensions Group, February 2011, Make Them ‘Feel at Home’ and American Seniors Housing Association, 2014, US Department of Health & Human Services documents on how consumers choose skilled nursing, among others. See *MSSL CON Application* at 25.

MSSL expresses confidence its proposal of two continuous care retirement communities (CCRCs) in Palmer and Wasilla will directly address the issues identified in the aforementioned planning documents. Specifically, the identified need for not only skilled nursing but assisted living capacity in the Mat-Su Valley. MSSL also believes by co-locating assisted living and memory care options with skilled nursing capacity, the resident can transition more fluidly if necessary, without having to be uprooted. “....[w]ith multiple care options in ONE location, we provide our residents more choices as they continue to age without having to move each time their needs change.” See *MSSL CON Application* at 24.

Lastly, MSSL demonstrates an adherence to their own plan for delivery of services, based on past experience and practice. “We wanted to improve personalized and dignified services to the elderly population by constructing smaller and more home-like “boutique” CCRC communities.” See *MSSL CON Application* at 23.

Recommendation General Review Std #2: MSC satisfies #2; MSSL satisfies #2.

Both applicants cite relevant health policy and planning documents, specifically those pertinent to the Mat-Su Valley (ex: the McDowell Group’s “Mat-Su Regional Plan for Delivery of Senior Services) and both seem grounded in evidence-based planning. Both MSC and MSSL proposals augment and integrate relevant community, regional, state, and federal health planning adequately.

MSC contends that after looking at long range plans of the Mat-Su Borough, their design can be expected to meet the skilled nursing demands of the community in the next five years and that their facility will be constructed and designed to allow the addition of beds as need dictates.

MSSL contends that it will be enhancing access by creating more options for senior care, including assisted living and memory care, and by doing so in both Wasilla and Palmer locations enables provision of services closer to where residents and their families live.

From a planning perspective, the Department of Health and Social Services supports the plan of additional senior nursing beds and services in the Mat-Su Borough, and believes improving care and the efficient delivery of services is paramount to such a plan.

General Review Standard #3 – Stakeholder Participation:

The applicant demonstrates evidence of stakeholder participation in planning for the project and in the design and execution of services.

Mat-Su Colony

MSC did a considerable job in enlisting the support of community members, up to and including local and state politicians as well as members of the veteran community. MSC explains that their proposed project will be built where the Veteran's "Wall of Honor" currently resides. "The veterans have been consulted regarding the project as we've made every effort to preserve the "Wall of Honor" that is currently located on the property. We've met with each of the representatives of the Veteran's Legions and have allocated property that we will be donating to a non-profit set up by the coalition to preserve the "Wall of Honor"." See *MSC CON Application* at 22. Their Application demonstrates strong support from the veteran's community for their proposed project.

In addition, the MSC's proposed project property is immediately adjacent to the Mat-Su Regional Hospital. MSC indicates the leadership team at Mat-Su concurs that there is a deficit in skilled nursing services in the Mat-Su Borough. "They have been very helpful in identifying programs and services we could implement in the Mat-Su Colony to meet community needs. Together, we also identified efficiencies in staffing that could be realized by sharing resources." *Id.* at 22. MSC's Application is supported by a letter from the CEO of Mat-Su Regional, Mr. John Lee.

MSC states they will continue to work with and seek feedback from the community as the project progresses. *Id.* at 22.

Maple Springs Senior Living

MSSL states it has consulted and met with a host of community members, Mat-Su Regional Hospital leadership including the CEO, and other hospital medical staff. "We have met with these key partners on numerous occasions building the appropriate rapport necessary to provide optimal services. This fundamental partnership will be vital in streamlining the total scope of care services available that Maple residents will need before, during and occasionally after their stay in Maple Springs." See *MSSL CON Application* at 53.

MSSL goes on to state they are building a rapport and have felt welcome by the community as a whole. It appears they have also discussed service delivery agreements with local health care providers. "We have been treated very well and welcomed by these key medical, professional and community members. We look forward to a long and prosperous relationship with them over the years. The proposed new facility will develop transfer, lab, X-ray, etc. agreements with Mat-Su Regional Medical Center and other facilities as needed." *Id.* at 53.

Recommendation General Review Std #3: MSC satisfies #3; MSSL satisfies #3.

MSC executed a well thought out, planned outreach with the Mat-Su community during the planning of their project. They consulted with local health care providers and paid special attention to the veteran community and the issue of the war memorial and its impending move, upon project approval. They sought out alternative sites for the memorial location, and have kept the community up-to-date and informed of the plan and process as it progresses. MSC began their initial outreach and planning for a LTC facility as far back as 2013.

There were several letters of support attached to MSC's Application; including those from the City of Wasilla, Mat-Su Regional Medical Center, the Matanuska-Susitna Borough, and the Mat-Su Health Foundation.

MSSL also appears to have made a genuine attempt to introduce themselves and the MSSL planned model of senior nursing service delivery to the community, given the time frame in which they had to make these community connections. Though they have not had as long to conduct outreach and planning with the community as MSC, they have made solid connections with the Mat-Su Regional Hospital. Based on their proposal, MSSL has also begun preliminary talks regarding service agreements with applicable health care providers in the area.

There was also evidence in MSSL's Application and from support letters received by the Department for their project that extensive consideration and outreach is currently underway regarding the Alaska Native community in the Mat-Su, and the potential their project poses for this population.

General Review Standard #4 – Alternatives Considered:

The applicant demonstrates that they have assessed alternative methods of providing the proposed services and demonstrates that the proposed services are the most suitable approach.

Mat-Su Colony

Per MSC's Application, they state they have assessed three alternatives for their proposed services. These include not developing a skilled nursing facility at all, buying an existing building for their proposed services; and building a new facility for their project. See *MSC CON Application* at 33.

MSC chose to go with their third option; building a new building. "Property has been purchased in an ideal location adjacent to the hospital and within traveling distance for residents of Mat-Su. Construction would take roughly 12 months giving residents access to care shortly thereafter." *Id.* at 33.

Maple Springs Senior Living

Per MSSL's Application; they have also assessed three scenarios for their proposed services. These scenarios include doing nothing, building separate and stand-alone buildings for individual services versus providing those services in dedicated units of one building; and building a "boutique" style facility for their proposed senior care services. "Maple decided to go with this

model. A mix of Skilled Nursing, In-Patient Hospice, Assisted Living and Memory Care allows for a lot of advantages to the resident who resides there.” *See MSSL CON Application* at 51. MSSL proposes two facilities, one in Palmer (adjacent to the Mat-Su Regional Hospital) and one in downtown Wasilla. “By providing a community in both Palmer and Wasilla we have created smaller communities as well as placed them much closer to their loved ones’ homes where they will be much more likely to visit on a consistent basis while they are in the long-term care setting.” *Id.* at 51. MSSL also contends that two smaller, single service buildings versus one oversized facility will provide a more qualitative experience for the residents. *Id.* at 51.

Recommendation General Review Std #4: MSC satisfies #4; MSSL satisfies

Both MSC’s and MSSL’s consideration of alternatives were adequate. Since both applicants’ considered alternatives, the general review standard #4 is satisfied by both applicants.

General Review Standard #5 – Impact on the Existing System:

The applicant briefly describes the anticipated impact on existing health care systems within the project’s service area that serve the target population in the service area, and the anticipated impact on the statewide health care system.

Mat-Su Colony

Per its CON Application, MSC describes the anticipated impact of its proposed project on the community. MSC understands that there is currently no senior nursing facility service in the Mat-Su Valley. “This project will address head-on the serious unmet community need for access to reasonable, quality Skilled Nursing care, due to the fact that Mat-Su currently offers no Skilled Nursing services in the Borough.” *See MSC CON Application* at 28. MSC intends to complement existing services located in Anchorage by offering more accessible services in the Borough. “The proposed facility is meant to complement services offered in Anchorage by allowing residents of Mat-Su Borough to age in place and access medical services along all ends of the healthcare spectrum.” *See MSC CON Application* at 37. MSC also states that their goal is to provide services for residents outside the Mat-Su Borough as needed, and in some cases “[t]he facility will serve adult residents less than 55 years old.” *See MSC CON Application* at 31.

MSC says they have done extensive outreach with the Mat-Su Regional Hospital and other community health care providers and partners. “Mat-Su Colony Partners worked with key players in the community including representatives of the Borough, The CVB (Visitor’s Bureau), Veteran’s Legions, Mat-Su Regional Hospital and other community members to develop an acceptable plan to create improved access to healthcare services for seniors.” *See MSC CON Application* at 12.

MSC states that they will provide an opportunity for economic development and alternatives for residents to receive healthcare in their own community. *See MSC CON Application* at 45. “The addition of Skilled Nursing will implement a critical component in the continuum of care necessary for ensuring the health and well- being of residents by offering Post-Acute, Transitional Care and Long-Term care services.” *See MSC CON Application* at 46.

It is evident from MSC’s Application that they understand the impact bringing senior nursing services to the Mat-Su Borough will have. “Mat-Su Colony’s plan to construct a new 104 bed

Skilled Nursing facility was created as a direct result of meeting the long range plan of the Borough to offer these services to its aging population.” *See MSC CON Application* at 23.

MSC did a thorough job detailing the impact of services and the delivery of those services in the Mat-Su Borough, for the community as a whole.

Maple Springs Senior Living

Per its CON Application, MSSL describes the positive impact its facilities will have in the Valley. MSSL’s Application shows they worked with existing senior services in the community, and specifically regarding their proposed hospice unit. “The Maple building will be a good partner and a new source of business to local Home Health, Hospice and DME services in the area. The Hospice House that will be located in the Wasilla building will contract with local Hospice Agencies to perform end-of-life care in our in-patient unit.” *See MSSL CON Application* at 52. MSSL will also continue to develop relationships with the Senior Center community and the local non-profit foundations that currently reside in the Mat-Su Valley. *Id.* at 52.

MSSL also notes in its Application the direct impact their services will have on overall health care costs. Not only to the resident and their families, who must travel to Anchorage for most services associated with senior nursing care, but also to the State of Alaska. Medicaid, Medicare and private insurance bear the higher cost of maintaining seniors in an acute hospital setting for post-acute and rehabilitative care and the cost of reimbursement is much higher in the general hospital setting. *Id.* at 54.

MSSL stresses its unique blend of services that include skilled nursing, hospice, assisted living and memory care are ideal due to the fact that all services will essentially be housed in one building, per site. “The area has a few stand-alone buildings that provide part of these services but no skilled nursing buildings at this point.” *Id.* at 54.

“Skilled Nursing is an important service that is needed. Assisted Living and Memory Care services are in great need as well. This underscores the importance for these services in more than just one location in one area in the valley.” *See MSSL CON Application* at 70. MSSL firmly believes that serving both Wasilla and Palmer will be critical in meeting short and long term need. By having services in both Wasilla and Palmer, with each facility centrally located, next to churches, shopping, neighborhoods and schools MSSL believes accessibility is enhanced by residents and the community to each other. *Id.* at 70.

MSSL supports its proposed project of two facilities adequately, stating the service area is vast and the need great. MSSL cited the Mat-Su Regional Plan for Delivery of Services, 2011 and correlated the need for skilled and long term nursing with the existing demand for hospice, assisted living and dementia care. *Id.* at 70.

Recommendation General Review Std #5: MSC satisfies #5; MSSL satisfies #5.

Both Applications adequately describe the anticipated impact a skilled nursing facility would have on the existing health care structure in the service area.

It must be noted that based on the conclusion in General Review Standard #1, the CON program does believe that a skilled nursing facility in the Mat-Su Valley will have a desirable impact on the existing health care systems, both locally and state-wide. Based on referenced analysis and other comments submitted by the public, the overwhelming consensus is a skilled nursing facility is absolutely necessary for the aging population in the Mat-Su Valley and any such project would be viewed favorably by the community as a whole.

General Review Standard #6 – Access:

The applicant demonstrates that the project's location is accessible to patients and clients, their immediate and extended families and community members, and to ancillary services. This includes the relocation of existing services or facilities.

Mat-Su Colony

Per its CON Application, MSC demonstrates that the project's location is accessible. It will be located directly adjacent to the Mat-Su Regional Hospital, and states it is "[w]ell situated 38 miles from Anchorage, 7.8 miles from Palmer and 7.1 miles from Wasilla." *See MSC CON Application* at 46.

MSC states they will build their facility in accordance to Life Safety Code standards and in compliance with the "Federal Register Non-discrimination on the Basis of Disability by Public Accommodations and Commercial Facilities", as well as the regulations of the "Americans with Disabilities Act", the Joint Commission and the Alaska Department of Health and Social Services. *See MSC CON Application* at 38.

Maple Springs Senior Living

Per its CON Application, MSSL proposes two facilities in the Mat-Su Valley. The first, in Wasilla, is planned to be located near the Wasilla Lake and no more than 5 miles from the Mat-Su Regional Hospital. The Palmer facility will also have the same community access as the Wasilla facility. MSSL will have their own bus program for residents and their locations will be accessible by local public transportation. *See MSSL CON Application* at 56.

MSSL states they also comply with the rules and regulations of the Federal Register Nondiscrimination on the Basis of Disability by Public Accommodations and in Commercial Facilities, as well as the Americans with Disabilities Act and will with do the same including Alaska's Department of Health and Social Services. *Id.* at 56.

Recommendation General Review Std #6: MSC satisfies #6; MSSL satisfies #6.

Both PAMC and ARH sufficiently demonstrate that their proposals will satisfy access needs or concerns.

Additional Considerations for Concurrent Review of More than one Application

In completing a concurrent review of two or more Applications under 7 AAC 07.060, in addition to applying the standards set out above, the department will compare the extent to which each applicant, including any parent organization of the applicant,

- 1. Demonstrates a commitment to quality that is consistent with, or better than, that of existing services, if any;**

Mat-Su Colony

Per MSC's Application, they have been providing senior living care for over 25 years and possess over a 100 years combined experience. (As noted throughout this review, there currently are no long term care facilities in the Mat-Su Borough, though there are services located in Anchorage, which is considered the same service area.)

Their involvement in the community spans back several years, back to 2014 when they met with key stakeholders to discuss senior living and care in the Mat-Su Valley. A key outcome of this meeting is the development of this skilled nursing facility project. They have already purchased property adjacent to Mat-Su Regional and have worked diligently with the Mat-Su Borough leaders and Veteran's Legions to relocate and further develop access to the existing Veteran's Memorial, which currently sits on the land that they purchased.

Maple Springs Senior Living

Per MSSL's Application, they have been providing senior living care for over 30 years. Their development team has performed intensive outreach in the community with local stakeholders in a desire to learn as much about the community as possible in order to provide the most appropriate and relevant senior living experience. Additionally, their lead architect has designed over 50 senior housing buildings in 17 different states.

Recommendation Std #1: MSC satisfies #1; MSSL satisfies #1.

- 2. Demonstrates a pattern of licensure and accreditation surveys with few deficiencies and a consistent history of few verified complaints; and**

Both applicants sufficiently demonstrate a pattern of licensure and accreditation.

Recommendation Std #2: MSC satisfies #2; MSSL satisfies #2.

- 3. Demonstrates that the applicant has consistently provided, or has a policy to provide, high levels of care to low-income and uninsured persons.**

Both applicants state they will provide services to the Medicaid/Medicare population as well as provide charity care.

Recommendation Std #3: MSC satisfies #3; MSSL satisfies #3.

Service-Specific Review Standards

Review Standards

After determining whether an applicant has met the general review standards in Section I of this document, the department will apply the following service-specific review standards in its evaluation of an Application for a certificate of need for long-term nursing care services:

- 1. A new freestanding long-term nursing facility will not be approved unless the applicant has demonstrated a need for a minimum of 40 beds.***

Per the Department's projections and CON methodology, there is a demonstrated need for a minimum of 134 beds in the Anchorage/Mat-Su Borough service region.

- 2. New long-term care nursing units co-located with hospitals will not be approved unless the applicant has demonstrated a need for a minimum of 15 beds. The department may approve a smaller number of beds if the applicant documents use patterns, and submits data and analysis that justify a smaller unit.***

Neither MSC's nor MSSL's project proposes to be co-located with a hospital. While MSC's proposed project is close to Mat-Su Regional Hospital, it is not considered co-located as they do not share the same campus.

- 3. To be considered for approval to expand licensed capacity, a freestanding long-term nursing care facility must have an average annual occupancy of at least 90%, and co-located long-term nursing care units must have an average annual occupancy rate of at least 80%, during the preceding three years.***

Neither MSC nor MSSL are proposing increasing capacity for an existing facility.

- 4. In a service area with more than one long-term nursing care facility, all facilities must have had an average annual occupancy of at least 90% during the preceding three years before additional beds are approved.***

The service area is considered the Anchorage/Mat-Su Borough. Based on this, there currently are 248 beds. Annual occupancy for Prestige Care, Providence Extended care and Providence Transitional Care facilities remains 90% and above.

- 5. In the interest of serving individuals in the most cost-effective, least-restrictive setting possible, there must be a combination of at least one assisted living bed or adult day care slot for each existing and proposed new long-term nursing care bed. For a community with a population of 10,000 or less, the department may approve beds on a case-by-case basis.***

Currently, in the Anchorage/Mat-Su Borough, there are 2,894 assisted living beds or units. Based on data from the department's Certification and Licensing Unit, circa 07/2016, 2,000 of these units are located in Anchorage and approximately 800 are located in the Mat-Su Borough.

Review Methodology

As indicated in the General Review, both applicants propose projects that are in line with the CON service-specific review standard for a long term nursing care project which estimates beds needed, five years from project implementation date (2017), assuming a skilled nursing facility occupancy rate of 90%. Given the identified service area's (Anchorage/Mat-Su Borough) existing nursing facility bed count of 248, the calculation using the methodology provided in the service specific review reflects a projected need of an additional 134 beds. The MSC facility project proposes 104 skilled nursing beds in Palmer; MSSSL proposes 60 skilled nursing beds in Palmer and 60 skilled nursing beds in Wasilla. See below for methodology.

Determine the projected long-term nursing care caseload using the following formula:

STEP ONE:

C = CASU

C (caseload)= the avg daily census of long-term nursing care patients 5 years from project implementation.

Average Daily Census=patient days per year/365

CASU=defined as the cumulative average daily census of long term nursing care patients per 1,000 persons for the age groups: 0-64, 65-74 years, 75-84 years, and 85 years and over, five years from implementation of the project, calculated as follows: (*Assume project implementation is 2017 and 5 years from implementation is 2022*)

CASU = (UR<65 x PP<65) + (UR65-74 x PP65-74) + (UR75-84 x PP75-84) + (UR>85 x PP>85)

Projected population for 2022 is 806,479

<http://labor.alaska.gov/research/pop/projected/pub/popproj.pdf>

2022	ANC / Mat-SU
PP<65	384,610
PP65-74	39,864
PP75-84	15,672
PP>85	4,311

Average nursing home bed use rate of the service area for preceding 3 years (average number of nursing home bed days of care used during the previous preceding three years, divided by population).

UR = three year average of nursing home days by age / population

2013-2015 ANC NH Days	AVG
Avg Days<65	24,712
Avg Days65-74	20,886
Avg Days75-84	20,498
Avg Days>85	15,209

Population = the closest population broken down by age is 2012

2012	ANC / Mat-SU
PP<65	359,675
PP65-74	21,441
PP75-84	8,652
PP>85	2,875

Again, UR = three year average of nursing home days by age / population

UR ANC / Mat-Su	
Avg UR<65	0.07
Avg UR65-74	0.97
Avg UR75-84	2.37
Avg UR>85	5.29

$$\text{CASU} = (384,610 \times 0.07) + (39,864 \times 0.97) + (15,672 \times 2.37) + (4,311 \times 5.29)$$

$$\text{CASU} = 26,425.20 + 38,830.88 + 37,129.53 + 22,805.56 = 125,191.17$$

Average Daily Census = patient days per year (365)

$$C = \text{CASU} / 365 = 342.99$$

STEP TWO:

$PBN = C / NHTO$

PBN= Projected Bed Need

C=Caseload

TO=Nursing Home Target Occupancy Rate

(Nursing home target occupancy is defined as 90%)

$PBN = 342.99 / 0.9 = 381.1 = 382$

Total Existing nursing facility beds = 248

$PBN = 382 - 248 = 134$

134 beds are needed

Final - identify service area share of the population to be served.

The usage rate and projected population are already specific to Anchorage and the Mat-Su Borough.

FINANCIAL FEASIBILITY

MAT-SU COLONY

The total cost of the project is \$20,748,517. This consists of \$17,360,049 in construction costs and \$3,388,468 in equipment and other administrative costs. The construction, equipment, and start-up costs will be financed in the short term with 25% secured equity, and HUD for the long term. See *MSC CON Application* at page 12.

1. Construction Method (Please check)

- | | | |
|--|---|--|
| a. <input type="checkbox"/> Conventional bid | a. <input type="checkbox"/> Contract management | a. <input type="checkbox"/> Design and build |
| b. <input type="checkbox"/> Phased | b. <input type="checkbox"/> Single project | b. <input type="checkbox"/> Fast Track |
| X Design-Assist ⁵⁵ | | |

2. Construction Cost (New Activity)

(Omit cents)

- | | |
|---|----------------------|
| a. Site acquisition (Section VIIIA.2.f) | \$1,215,000 |
| b. Estimated general construction** | \$14,804,281 |
| c. Fixed equipment, not included in a** | \$1,340,738 |
| d. Total construction costs (sum of items a, b, and c)** | \$17,360,049 |
| e. Major movable equipment** | \$671,545 |
| f. Other cost:** | |
| (1) Administration expense | \$1,165,060 |
| (2) Site survey, soils investigation, and materials testing | \$88,600 |
| (3) Architects and engineering fees | \$360,000 |
| (4) Other consultation fees (preparation of Application included) | \$156,000 |
| (5) Legal fees | \$73,833 |
| (6) Land development and landscaping | \$784,080 |
| (7) Building permits and utility assessments (including water, sewer, electrical, phones, etc.) | \$89,300 |
| (8) Additional inspection fees (clerk of the works) | \$ Included in F (2) |
| (9) Insurance (required during construction period) | \$ Included in A |
| g. Total project cost (sum of items d, e, f) | \$20,748,517 |
| h. Amount to be financed | \$15,561,387 |
| i. Difference between 2.g and 2.h (list, as Schedule 1, available resources to be used, e.g., available cash, investments, grants funds, community contributions, etc.) Cash | \$ 5,187,129 |
| j. Anticipated long-term interest rate | 4% |
| k. Anticipated interim (construction) interest rate | 4% |
| l. Anticipated long-term interest amount | \$15,656,385 |
| m. Anticipated interim interest amount | \$996,000 |
| n. Total items g, l, and m | \$37,400,902 |
| o. Estimated annual debt service requirement | \$780,444 |
| p. Construction cost per sq. ft. | \$179.52 |
| q. Construction cost per bed | \$166,930 |
| r. Project cost per sq. ft. | \$214.57 |
| s. Project cost per bed (if applicable) | \$199,505 |

Schedule I. Facility Income Statement			
Projections For Three Years Beyond Project Completion			
Gross Patient Revenue:	FY2018	FY2019	FY2020
Inpatient Routine			
Inpatient Ancillary			
Outpatient			
Long-Term Care	\$11,964,787	\$19,419,600	\$20,871,950
Swing Beds			
Other			
Total Patient Revenue	\$11,964,787	19419600	\$20,871,950
Less Deductions			
Charity Care	\$47,280	\$72824	\$78269
Contractual Allowances			
Bad Debts	\$15,760	\$24,275	\$26,090
Total Deductions	\$63,040	\$97,099	\$104,359
Net Operating Revenues	\$11,867,688	\$19,322,501	\$20,767,591
All Other Revenues			
EXPENSES:			
Salaries	\$7,004,864.21	\$10,393,990	\$11,293,034
Benefits	\$1,400,972.84	\$2,078,798	\$2,258,606
Supplies	\$1,293,205.70	\$1,918,890	\$2,084,867
Utilities	\$215,534.28	\$319,815	\$347,477
Lease	\$2,162,870.10	\$2,227,756	\$2,292,642
Other Expenses	\$862,137.13	\$1,279,260	\$1,389,911
Depreciation	-	-	-
Interest	-	-	-
Total Expenses	\$18,218,510	\$18,218,510	\$19,666,541
Excess (Shortage) of Revenue			
Over Expenditures	(\$974,798)	\$1,201,090	1,205,409
Note: Use one copy of this form for the previous five years, another for the construction or development period, and five years after the project opens			

MAPLE SPRINGS SENIOR LIVING

The total cost of the project is \$36,103,705. The construction, equipment, and start-up costs of 30% of the project will be funded with capital from the owners, with remaining 70% financed through debt acquired and secured by Maple Springs.

1. Construction Method (Please check)

- | | | | |
|----|------------------|------------------------------|---------------------|
| a. | Conventional bid | <u>X Contract management</u> | Design and build |
| b. | Phased | Single project | <u>X Fast Track</u> |

2. Construction Cost (New Activity)

(Omit cents)

- | | | |
|-----|--|---------------|
| a. | Site acquisition (Section VIIIA.2.f) | \$ 1,376,157 |
| b. | Estimated general construction** | \$ 19,021,890 |
| c. | Fixed equipment, not included in a** | \$ 2,679,520 |
| d. | Total construction costs (sum of items a, b, and c)** | \$ 23,077,567 |
| e. | Major movable equipment** | \$ 2,112,321 |
| f. | Other cost:** | |
| (1) | Administration expense | \$ 4,370,900 |
| (2) | Site survey, soils investigation, and materials testing | \$ 59,100 |
| (3) | Architects and engineering fees | \$ 1,701,607 |
| (4) | Other consultation fees (preparation of Application included) | \$ 376,495 |
| (5) | Legal fees | \$ 10,255 |
| (6) | Land development and landscaping | \$ 2,250,000 |
| (7) | Building permits and utility assessments (including water, sewer, electrical, phones, etc.) | \$ 295,500 |
| (8) | Additional inspection fees (clerk of the works) | \$ 76,909 |
| (9) | Insurance (required during construction period) | \$ 51,273 |
| g. | Total project cost (sum of items d, e, f) | \$ 34,381,927 |
| h. | Amount to be financed | \$ 25,329,205 |
| i. | Difference between 2.g and 2.h (list, as Schedule 1, available resources to be used, e.g., available cash, investments, grants funds, community contributions, etc.) | \$ 9,052,722 |
| j. | Anticipated long-term interest rate | <u>4.25%</u> |
| k. | Anticipated interim (construction) interest rate | <u>4.25%</u> |
| l. | Anticipated long-term interest amount | \$ 19,528,402 |
| m. | Anticipated interim interest amount | \$ 545,258 |
| n. | Total items g, l, and m | \$ 54,455,587 |
| o. | Estimated annual debt service requirement | \$ 1,495,254 |
| p. | Construction cost per sq. ft. | \$ 195.24 |
| q. | Construction cost per bed | \$ 192,313 |
| r. | Project cost per sq. ft. | \$ 290.88 |
| s. | Project cost per bed (if applicable) | \$ 286,516 |

Schedule I. Facility Income Statement				
Provide Last Five Years Actual and Projections for Three Years Beyond Project Completion				
Gross Patient Revenue:	FY 2018	FY 2019	FY 2020	FY 2021
Inpatient Routine	\$563,940	\$3,166,740	\$3,770,807	\$4,552,189
Inpatient Ancillary	\$67,600	\$379,600	\$452,010	\$545,675
Outpatient				
Long-Term Care	\$2,109,872	\$11,559,258	\$14,424,265	\$17,467,323
Swing Beds				
Other				
Total Patient Revenue	\$2,741,412	\$15,105,598	\$18,647,081	\$22,565,187
Less Deductions				
Charity Care	\$137,071	\$755,280	\$932,354	\$1,128,259
Contractual Allowances	\$328,969	\$1,812,672	\$2,237,650	\$2,707,822
Bad Debts	\$41,121	\$226,584	\$279,706	\$338,478
Total Deductions	\$507,161	\$2,794,536	\$3,449,710	\$4,174,560
Net Operating Revenues	\$2,234,251	\$12,311,062	\$15,197,371	\$18,390,627
All Other Revenues				
EXPENSES:				
Salaries	\$1,407,690	\$7,285,901	\$7,965,764	\$9,941,997
Benefits	\$292,309	\$1,549,393	\$1,793,166	\$2,202,558
Supplies	\$174,089	\$834,294	\$972,166	\$1,133,700
Utilities	\$135,739	\$422,672	\$430,400	\$439,232
Property Tax	\$50,000	\$150,000	\$150,000	\$150,000
Rent				
Lease				
Other Expenses	\$153,730	\$853,938	\$1,006,899	\$1,204,002
Depreciation	\$1,199,066	\$1,199,066	\$1,199,066	\$1,199,066
Interest	\$119,362	\$1,062,155	\$1,043,386	\$1,023,803
Total Expenses	\$3,531,985	\$13,357,420	\$14,560,847	\$17,294,359
Excess (Shortage) of Revenue	\$(1,297,734)	\$(1,046,357)	\$636,524	\$1,096,269
Over Expenditures				
Note: Use one copy of this form for the previous five years, another for the construction or development period, and five years after the project opens.				

Please note the following:

1) FY 2018 is operations when the Wasilla building opens in September to December 31st.

PUBLIC COMMENTS

A public meeting was held in Palmer, Alaska on August 18, 2016. Approximately 65 individuals attended the meeting in person, and about 15 individuals provided verbal comment. Of those in attendance, there was a combination of private citizens, assisted living home operators and community health providers.

MSC owner's Doug Clegg and Brian Newberry along with partner Serge Newberry gave a PowerPoint presentation of MSC's proposed senior nursing facility project in Palmer located adjacent to the Mat-Su Regional Hospital. The presentation outlined the project plan, its alignment with MSC's strategic goals and the healthcare goals of the community, and the community and stakeholder support for these proposed services in the Mat-Su Valley.

The presentation highlighted MSC's experience in senior care services, including operations and project development. Their presentation supported the proposed project plan by highlighting key components including their mission and alignment with that of the Mat-Su Borough, the extensive networking and stakeholder participation activity undertaken, as well as the anticipated positive financial outcomes to the State of Alaska and the community as a whole.

MSSL owner's Marc Dunn and Nick Larsen gave a PowerPoint presentation on MSSL's proposed construction of two senior nursing facilities; one in Palmer and one in Wasilla. The presentation outlined MSSL's healthcare background in senior care services as well as their commitment to operating stand-alone facilities that deliver services on a continuum of care campus.

MSSL highlighted the advantage of having various levels of care in one setting, thus allowing the resident to essentially reside in the same location as opposed to having to be moved to another location when it came became necessary. MSSL also gave an overview of corporate structure and holdings, a structural overview of the proposed Palmer and Wasilla facilities and explained the need for two senior nursing care facilities in the Mat-Su Borough, versus one, and the additional need for assisted living and hospice care services in the Valley.

Of the approximately 15 comments made at the public meeting, all 15 were in favor of senior nursing care facilities in the Mat-Su Valley. Of those that spoke, 9 were specifically in favor of Mat-Su Colony, and 3 were specifically in favor of Maple Springs Senior Living.

A written public comment period was open from July 22, 2016 – August 21, 2016. A total of 191 written comments were received.

Of the written comments received:

	<u>MSC</u>	<u>Either</u>	<u>MSSL</u>
In favor	130		48
Neutral or undecided		13	

RECOMMENDATION

The CON Program recommends that the Commissioner approve, in part, MSC's project for a Senior Nursing Facility in Palmer, Alaska. The CON Program also recommends that the Commissioner approve, in part, MSSL's Application for a CON concerning its project to establish two Senior Nursing Care Facilities in the Mat-Su Borough. This recommendation is based on the projected need for an additional 134 skilled nursing facility beds in the Municipality of Anchorage/Matanuska Susitna Valley service area. The CON Program considers the three communities of Anchorage, Wasilla and Palmer to be a single service area. The CON Program, in the history of its practice, has never excluded one community or divided the Anchorage/Matanuska-Susitna Valley service area when calculating need.

The CON Program recommends approval, in part, of MSC's Application because it satisfies all review standards for long term nursing care. As stated throughout the analysis, MSC's proposed project is aligned with community, state and federal health care planning. As the CON Program has remarked throughout this analysis, these proposed services are needed in the Anchorage/Matanuska-Susitna service area. By locating the services in the Mat-Su Valley, where no services exist currently, MSC is providing "local" access for family and residents of the Mat-Su Borough for those services.

The CON Program also recommends approval, in part, of MSSL's Application because it satisfies all review standards for long term nursing care. MSSL's proposed project plan included two locations for two facilities (in Palmer and Wasilla). In the Wasilla location, MSSL proposes 60 skilled nursing units (to include 10 hospice units), and in Palmer 60 skilled nursing units are proposed (no hospice units).

In sum, both projects met all the General Review Standards as well as the Service Specific Review Standards as established under Sec. 18.07.041 and Sec. 18.07.043.

Projected need for skilled nursing home beds in the defined service area is 134 beds. We currently have 248 skilled nursing beds in Anchorage. With the approval of both applicants' projects, the communities of Wasilla and Palmer will be as equally served as the community of Anchorage is currently. And, accordingly the entire geographical service area will be covered.

The CON Program recommends the Commissioner approve MSC for a 74 bed skilled nursing facility in Palmer.

The CON Program recommends the Commissioner approve MSSL for a 60 bed skilled nursing facility in Wasilla.

This approval should be contingent on the Commissioner's review and approval of a revised budget and timeline from both MSC and MSSL for a modified project that meets the limitations set forth above.

APPENDIX A

Estimated Impact to Medicaid



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

**Department of
Health and Social Services**

OFFICE OF RATE REVIEW

3601 C Street, Suite 978
Anchorage, Alaska 99503
Main: 907.334-2464
Fax: 907.334-2220

MEMORANDUM

To: Alexandria Hicks
Certificate of Need Coordinator

From: Christine Goetz 
Audit & Review Analyst III

Date: August 29, 2016

Subject: Mat-Su Colony Long-Term Care Certificate of Need Staff Analysis

Mat-Su Colony is a proposed new 94,890 square feet Skilled Nursing Facility to be built in Palmer, Alaska with 104 beds serving the Mat-Su Borough and greater Anchorage area. The new facility plans to provide post-acute, transitional care and long term care services. The facility is scheduled to open January 1, 2018.

Currently there are 248 senior nursing facility beds in the Anchorage/Mat-Su Service area. There are no beds in the Mat-Su Borough, with all existing inventory located in Anchorage. Pioneer Homes, which is the closest to the care and services proposed by Mat-Su Colony, currently has 79 beds and a waiting list of over 130 individuals. Using the CON Long Term Nursing Care service specific methodology, Mat-Su Colony states 104 beds are necessary to meet the year 2022 projected demand. By the year 2037, Mat-Su Colony estimates a need for an additional 200+ beds in the Anchorage/Mat-Su Service area. With this in mind, the facility will be constructed with the ability to add additional beds at a later date as the need continues to grow.

Mat-Su Colony estimates the total project cost to be \$20,748,517 with \$15,561,388 of this amount to be financed. During the construction phase of the project short term 3-5 years financing will be used; upon construction completion, long term 40 year permanent financing via HUD will be utilized.

The total projection of Medicaid program costs for the first three years of operations is \$33,221,528, as outlined below.

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Medicaid Charges:	\$7,448,206	\$12,606,516	\$13,166,806
Medicaid Utilization	54%	57%	54%

Mat-Su Colony expresses that it is their intention to continue to expand service offerings in ways that benefit the communities they serve, including the following three areas:

- 1) The application states they are planning on offering a secure unit to care for residents with treatable behavioral issues. New additional capital will be required to ensure resident safety, including a Wanderguard system and secure doors.

Mat-Su Colony CON Staff Analysis
August 29, 2016
Page 2

- 2) Medical gasses and in room suctioning will be installed to equip the facility for future development of a long-term ventilator program.
- 3) Mat-Su Colony notes that 3,340 square feet will be reserved for potential future Outpatient Therapy services, including Physical, Occupational, and Speech Therapy.

Please note, all calculations in this memorandum are estimates only and are based on the assumptions set forth in the CON application. The Department is not bound by these estimates or assumptions. Also, please note 7 AAC 07.07(i):

Approval of a certificate of need does not imply any guarantee of federal, state, or private money, including Medicaid payments or grant awards, and does not imply guarantee of profitability.

If you have any questions, please contact Christine Goetz at 334-2476 or me at 745-3428.



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

**Department of
Health and Social Services**

OFFICE OF RATE REVIEW

3601 C Street, Suite 978
Anchorage, Alaska 99503
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Fax: 907.334.2220

MEMORANDUM

To: Alexandria Hicks
Certificate of Need Coordinator

From: Christine Goetz
Audit & Review Analyst III

A handwritten signature in blue ink, appearing to be "CG".

Date: August 31, 2015

Subject: Maple Springs Certificate of Need Staff Analysis (2) Long-Term Care Facilities

Maple Springs, LLC, is requesting a Certificate of Need (CON) for the creation of two long term care facilities. One of the 60 bed facilities will be in Wasilla, Alaska and the other 60 bed facility will be located in Palmer, Alaska for a total of 120 new long term care beds. The facility plans to provide post-acute, transitional and nursing facility long-term care services.

It should be noted that 10 of the 60 beds located in the Wasilla building will be dedicated primarily to accommodate hospice needs. Hospice is reimbursed under a different methodology at 95% of the established LTC rate. The Wasilla location will also provide 10 units that are fully equipped to provide Ventilator and Tracheostomy care to the residents of the Mat-Su Valley. In addition, both locations will offer Assisted Living and Memory Care services.

Using the CON Long Term Nursing Care service specific methodology, Maple Springs estimates that by the year 2023 there will be an additional need of 120 beds over the current supply of 248 beds. However, based on their research and calculations, Maple Springs believes a more accurate estimate puts the additional SNF beds at 233.

The costs for the Wasilla and Palmer facilities are projected to be \$18,100,345 and \$18,003,360 respectively for a total cost of \$36,103,705. The project will be 30% financed by capital from the owners of Maple Springs with the remaining 70% financed through debt acquired and secured by Maple Springs. Upon completion, both buildings will begin taking patients. The Wasilla building will begin servicing patients on September 1, 2018, and the Palmer building will begin servicing patients on December 1, 2018.

The Office of Rate Review does have some concerns regarding how these two locations will be treated for future rate setting purposes. Specifically, if Maple Springs will be operating the

two locations as a combined business, as indicated by their CON application, or if they will be separate and distinct entities resulting in separate licenses, provider id's, cost reporting requirements and Medicaid reimbursement rates.

The total projection of Medicaid program costs for the first three State Fiscal years of operations is \$23,334,077, as outlined below.

	<u>2019</u>	<u>2020</u>	<u>2021</u>
Medicaid Charges:	\$9,581,400	\$7,349,163	\$6,403,514
Medicaid Utilization:	46%	29%	25%

Amounts reported are for both locations since the CON application is presenting financial data as a single entity and not each location separately.

Please note, all calculations in this memorandum are estimates only and are based on the assumptions set forth in the CON application. The Department is not bound by these estimates or assumptions. Also, please note 7 AAC 07.070(i):

Approval of a certificate of need does not imply any guarantee of federal, state, or private money, including Medicaid payments or grant awards, and does not imply any guarantee of profitability.

Should you have any questions please contact Christine Goetz at 334-2476.

APPENDIX B

I. General Review Standards Applicable to all Certificate of Need Applications

Review Standards

The department will apply the following general review standards, the applicable service-specific review standards set out in this document, the standards set out in AS 18.07.043, and the requirements of 7 AAC 07 in its evaluation of each certificate of need Application:

1. The applicant documents need for the project by the population served, or to be served, including, but not limited to, the needs of rural populations in areas having distinct or unique geographic, socioeconomic, cultural, transportation, and other barriers to care.
2. The applicant demonstrates that the project, including the applicant's long-range development plans, augments and integrates with relevant community, regional, state, and federal health planning, and incorporates or reflects evidence-based planning and service delivery. A demonstration under this standard should show that the applicant has checked with the department regarding any relevant state plan, with appropriate federal agencies for relevant federal plans, and with appropriate communities regarding community or regional plans.
3. The applicant demonstrates evidence of stakeholder participation in planning for the project and in the design and execution of services.
4. The applicant demonstrates that PAMC has assessed alternative methods of providing the proposed services and demonstrates that the proposed services are the most suitable approach.
5. The applicant briefly describes the anticipated impact on existing health care systems within the project's service area that serve the target population in the service area, and the anticipated impact on the statewide health care system.
6. The applicant demonstrates that the project's location is accessible to patients and clients, their immediate and extended families and community members, and to ancillary services. This includes the relocation of existing services or facilities.

Additional Considerations for Concurrent Review of More than one Application

In completing a concurrent review of two or more Applications under 7 AAC 07.060, in addition to applying the standards set out above, the department will compare the extent to which each applicant, including any parent organization of the applicant,

1. Demonstrates a commitment to quality that is consistent with, or better than, that of existing services, if any;
2. Demonstrates a pattern of licensure and accreditation surveys with few deficiencies and a consistent history of few verified complaints; and
3. Demonstrates that the applicant has consistently provided, or has a policy to provide, high levels of care to low-income and uninsured persons.

APPENDIX C

VI. Long-Term Nursing Care: Review Standards and Methodology

Review Standards

After determining whether an applicant has met the general review standards in Section I of this document, the department will apply the following service-specific review standards in its evaluation of an Application for a certificate of need for long-term nursing care services:

1. A new freestanding long-term nursing facility will not be approved unless the applicant has demonstrated a need for a minimum of 40 beds.
2. New long-term care nursing units co-located with hospitals will not be approved unless the applicant has demonstrated a need for a minimum of 15 beds. The department may approve a smaller number of beds if the applicant documents use patterns, and submits data and analysis that justify a smaller unit.
3. To be considered for approval to expand licensed capacity, a freestanding long-term nursing care facility must have an average annual occupancy of at least 90%, and co-located long-term nursing care units must have an average annual occupancy rate of at least 80% during the preceding three years.
4. In a service area with more than one long-term nursing care facility, all facilities must have had an average annual occupancy of at least 90% during the preceding three years before additional beds are approved.
5. In the interest of serving individuals in the most cost-effective, least-restrictive setting possible, there must be a combination of at least one assisted living bed or adult day care slot for each existing and proposed new long-term nursing care bed. For a community with a population of 10,000 or less, the department may approve beds on a case-by-case basis.

Additional Considerations for Concurrent Review of More than one Application

In completing a concurrent review of two or more Applications under 7 AAC 07.060, in addition to applying the standards set out above to each Application, the department will approve an otherwise equivalent proposal if the applicant is a facility operated by a Native organization operating under a compact or contract with the federal government to provide health services to IHS beneficiaries under P.L. 93-638.

Review Methodology

The department will use the following formula to determine need for long-term nursing home beds:

► **STEP ONE:** Determine the projected long-term nursing care caseload using the formula:

$$C = CASU$$

C (caseload) = the average daily census of long-term nursing care patients five years from the project implementation date

Average Daily Census = patient days per year/365⁴

CASU (composite age specific use) = defined as the cumulative average daily census of long-term nursing care patients per 1,000 persons for the age groups: 0 – 64 years, 65 to 74 years, 75 to 84 years, and 85 years and over, five years from implementation of the project, calculated as follows:

$$CASU = (UR<65 \times PP<65) + (UR65\bullet74 \times PP65\bullet74) + (UR75\bullet84 \times PP75\bullet84) + (UR>85 \times PP>85) \text{ where:}$$

UR<65 = the average nursing home bed use rate of the service area population aged 0 to 64 years for the preceding three years

PP<65 = the projected population aged 0 to 64 years for the fifth year from the project implementation date

UR65•74 = the average nursing home bed use rate of the population aged 65 to 74 years for the preceding three years

PP65•74 = the projected population between 65 and 74 years of age for the fifth year from the project implementation date

UR75•84 = the average nursing home bed use rate of the population aged 75 to 84 years for the preceding three years

PP75•84 = the projected population between 75 and 84 years of age for the fifth year from the project implementation date

UR>85 = the average nursing home bed use rate of the population 85 years of age and older for the preceding three years

PP>85 = the projected population 85 years of age and older for the fifth year from the project implementation date

► **STEP TWO:** Determine the projected number of nursing home beds required to meet projected demand using the formula:

$$PBN = C / NHTO$$

PBN = projected nursing home bed need

C (caseload) = the average daily census of long-term nursing care patients five years from the project completion date

TO = nursing home target occupancy, defined as 90% (0.90)

► **STEP THREE:** For service area bed need projections, multiply projected bed need by the current service area share of the population to be served aged 65 and over:

$$\text{PBN}_{sa} = \text{PBN} \times \text{SAS}$$

SAS (service area share) = the proposed service area's current share of the population to be served, as of the most recent geographic population estimates. If there is public information about service area population changes expected over the planning horizon, such as a military base closing, or a major economic project such as a new mine, the service area share estimate may be modified with explanation to reflect the expected change. Determine unmet nursing home bed need, if any, by subtracting the number of existing licensed and CON-approved beds from the number of beds projected to be needed in the proposed service area.