

November 13, 2015

Via Email & U.S. Mail
donna.jerry@vermont.gov

Donna Jerry
Senior Health Policy Analyst
Green Mountain Care Board
89 Main St., City Center
Montpelier, VT 05620

Re: Genesis Healthcare, Purchase of 5 Nursing Homes in VT, GMCB-014-15con

Dear Donna:

As requested in your email of November 10, 2015 I am submitting an ecopy and attaching two hard copies of the DAIL letter.

Please let me know if you need any further information.

Very truly yours,

DINSE, KNAPP & McANDREW, P.C.

/s/ Linda J. Cohen
Linda J. Cohen

LJC:ejb
Enclosures
cc: Jacqueline Majoros, Esq. (w/encl.)
Via email & U.S. Mail

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November 9, 2015

Mr. Richard Blinn
Executive Vice President, President Northeast Division
Genesis Healthcare, Inc.

c/o Linda J. Cohen, Esq.
DINSE, KNAPP & McANDREW, P.C.
209 Battery Street
P.O. Box 988
Burlington, VT 05402

Dear Mr. Blinn,

This letter is submitted in accordance with the State's Health Resource Allocation Plan Certification of Need Standards 5.2 and 5.3 which requires the Department of Disabilities, Aging and Independent Living (DAIL) to review and provide a recommendation relation the CON applications from nursing homes and similar entities. The Department has received the Certificate of Need application from Genesis Healthcare, Inc. related to the purchase of five Vermont skilled nursing facilities (SNF):

- Bennington Health and Rehabilitation Center, LLC
- Berlin Health and Rehabilitation Center, LLC
- Burlington Health and Rehabilitation Center, LLC
- Springfield Health and Rehabilitation Center, LLC
- St. Johnsbury Health and Rehabilitation Center, LLC.

In completing our review, the Department consulted with the Agency of Human Services' Division of Rate Setting and internally with relevant divisions and staff. We considered both the Department's mission and our desire to advance excellence in quality of care and quality of life and to promote cultural change in our nursing facilities in addition to our work to rebalance options/choices for care across a spectrum of supports.

1. **Project Summary:** Genesis has been a capable owner and operator of SNF's in Vermont since 1995. Currently, Genesis operates four Vermont facilities; this project proposes the acquisition of five additional facilities across the state. Genesis has been an active partner with the State, with the Vermont Accountable Care Organizations and with the nursing home trade organization. Revera, the current owner of the five facilities listed above has decided to cease operations of SNFs in Vermont and in other states; this purchase will maintain the continued operation of the five facilities.

The facilities will be owned and operated by other Generis subsidiaries organized in the State of Vermont. These five purchases are part of a larger set of transactions to purchase the assets of a total of twenty-four facilities in nine states: Connecticut, Maryland, Massachusetts, New Hampshire, New Jersey, Rhode Island, Vermont, Virginia and Washington.

Genesis intends to maintain staffing and administration of the individual facilities and to support each facility through its Northeast Region Management Team. Additionally, to support the transition, Genesis will employ Tom DePoy, a Revera Senior Vice President, to provide local leadership and coordination.

1. Evaluation of HRAP CON Standard 5.2: Nursing Homes or similar entities seeking to replace or increase beds shall show the beds are needed. Such showing of need shall be confirmed by the Department of Disabilities, Aging and Independent Living:

A review of the current census as of August, 2015 at the five SNF's Genesis proposes to acquire is as follows:

Bennington Health and Rehabilitation Center, LLC

Facility: 88% full, est 17 empty beds

County: avg 82% full, est 82 empty beds

Berlin Health and Rehabilitation Center, LLC

Facility: 72% full, est 40 empty beds

County: avg 76% full, est 104 empty beds

Burlington Health and Rehabilitation Center, LLC

Facility: 89% full, est 14 empty beds

County: avg 90% full, est 51 empty beds

Springfield Health and Rehabilitation Center, LLC

Facility: 86% full, est 14 empty beds

County: avg 86% full, est 35 empty beds

St. Johnsbury Health and Rehabilitation Center, LLC

Facility: 80% full, est 22 empty beds

County: avg 82% full, est 31 empty beds

It is our understanding that Genesis is proposing to reduce 52 empty beds following the acquisition of these facilities, converting the existing rooms to singles. DAIL is supportive of the move towards single rooms as it relates positively to quality of care, quality of life, privacy and an enhanced experience for residents in the facility. The census count above, while indicating ongoing needs in each of the areas, seems to support the proposed reduction in beds. Concerns that DAIL has related to a potential for financial impact to the state as a result of the proposed reduction in beds will be discussed below.

2. Evaluation of HRAP CON Standard 5.3: Nursing homes or similar entities seeking a certificate of need shall provide a written recommendation from the Department of Disabilities, Aging and Independent Living supporting the new health care project proposal:

a. Quality of Care:

As of 11/4/15, all four of the Skilled Nursing Facilities currently owned by Genesis are in substantial compliance with federal and state regulatory requirements. In the past twelve months, there have been no penalties or sanctions issued to Genesis facilities by the State or by the Centers for Medicare or Medicaid

Services (CMS) due to non-compliance with regulatory requirements, nor have there been any determinations of the existence of substandard quality of care as defined by CMS.

For some historical perspective, here is a quick chart related to the current Genesis CMS 5-star ratings in the past 36 months:

Facility	Overall Star Rating Nov. 2012	Overall Star Rating Oct. 2015
Bel-Aire Quality Center	4 stars	5 stars
Mountain View Genesis Healthcare	4 stars	4 stars
Rutland Healthcare and Rehabilitation Center	3 stars	1 star
Saint Albans Healthcare and Rehabilitation Center	2 stars	2 stars

Additionally, current Genesis facilities are engaged in some recognized best practices related to person-centered care, recreation, nutritional services and the availability of therapy animals. They partner with DAIL in their efforts towards person-centered dementia care through their use of the Oasis evidence-based, staff training curriculum, and their use of “Music and Memory” an evidence-based therapeutic intervention program. One current Genesis facility, Mountain View Genesis Health Care, is participating in the DAIL Companion Aide Pilot Project, focused on an enhancement of quality of life for residents with dementia and organizational cultural change related to dementia care.

Genesis has maintained a solid track record of quality care and of partnership with the State of Vermont.

b. Financial Review

Based on the submitted documents related to the acquisition proposal, Genesis has demonstrated that it has liquid assets in excess of \$80 million dollars, sufficient to sustain any financial burden created through the proposed acquisition, to address continued operation of all five facilities and to protect current and future residents against lapses in quality of care.

From the perspective of DAIL and with the assistance of the Agency of Human Services Division of Rate Setting, we have estimated that the proposed impact of a 52 bed reduction to the State of Vermont is approximately \$869,764:

- \$613,949 from an increase in the daily rates based on the 90% occupancy rate formula for Medicaid rates and,
- \$255,815 from a decrease in the bed tax.

In terms of leveraged dollars related to Medicaid, the impact could be even more significant. Kathleen Denette at the AHS Division of Rate Setting is available to provide a more detailed analysis should that be required.

In conclusion, DAIL affirms its belief that Genesis can support its proposed acquisition of the five SNFs named above and that their demonstrated work in their current facilities is of good quality. Although we are supportive of a movement towards more private rooms and believe that the census in the five facilities supports the

proposed reduction of fifty-two beds, we are cognizant of the potential for significant financial impact to the State. We are conditionally supportive of the Genesis proposal, dependent on the full application and information obtained by the Green Mountain Care Board during the CON process.

Sincerely,



Monica Caserta Hutt
Commissioner

Cc: Camille George, Deputy Commissioner, DAIL
Clayton Clark, Director, Division of Licensing and Protection, DAIL
Stuart Schurr, General Counsel, DAIL
Kathleen Denette, Director, Division of Rate Setting, Agency of Human Services
Donna Jerry, Green Mountain Care Board
Ms. Linda J Cohen, Esq., DINSE, KNAPP & McANDREW, P.C.