

**STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD**

In re: Application of CCK Holdings, LLC)
 And Redstone Villa, LLC) GMCB-019-14con
 To Purchase Redstone Villa)
_____)

STATEMENT OF DECISION AND ORDER

Introduction

CCK Holdings, LLC and Redstone Villa, LLC (applicants¹) seek to purchase the real estate and operations of Redstone Villa, a 30-bed Medicare/Medicaid certified skilled nursing facility located in St. Albans. CCK Holding, LLC will own the real estate and Redstone Villa, LLC will be the operator of the facility.

For the reasons outlined below, we approve the application.

Procedural Background

On April 15, 2015, the applicants filed a certificate of need (CON) application with the Green Mountain Care Board to purchase both the real estate and operations of Redstone Villa. After public notice, the Board granted the applicants expedited review of the project pursuant to 18 V.S.A. § 9440(c)(5). The Board requested additional information from the applicants on May 29, July 27, and September 9 2015. The applicants provided responses to the requests on June 15, August 20, and September 11, 2015. The application was closed on September 18, 2015.

Findings of Fact

1. Redstone Villa is currently owned and operated by foreign limited liability companies registered to do business in Vermont: Vermont Subacute, LLC (real estate) and Redstone Villa, LLC (operations).

2. One of the two individual purchasers, Coleen Kohaut, has grown up in the nursing home industry as her father, Phillip H. Condon, owns and operates Franklin County Rehabilitation Center (FCRC), a 64-bed Medicare/Medicaid certified skilled nursing facility in St. Albans. Since 1981, Coleen has been part of this family-owned business. Coleen has worked professionally in the nursing home industry since 1998. She has extensive experience in nursing home operations and management and has held a Vermont Nursing Home Administrators license since 2003. Since 2010, Coleen has served as FCRC's Nursing Home Administrator. Coleen is on the Clinical Advisory Board for OneCare Vermont, working with an interdisciplinary team comprised of administrators from local hospitals, mental

¹ The individual LLC members are Coleen Kohaut and Callie Anne Kohaut, who are also referred to as the applicants or purchasers.

health agencies, community health care providers, physicians and representatives of the Vermont Blueprint for Health. Application at 23.

3. The second individual purchaser, Callie Anne Kohaut, has twenty years of experience in the design build and contracting field and experience in financial management. Application at 5, 9. Callie Anne and Coleen own and co-manage Holiday House, a 40-bed residential care facility located in St. Albans. Application at 1.
4. Redstone Villa is a Medicare/Medicaid Certified skilled nursing facility. The applicants intend to continue participation in both Medicare and Medicaid. Currently, Redstone Villa provides in-house restorative nursing, physical, occupational and speech therapies through a contract with Premier Therapy, and provides short-term rehabilitation, palliative, dementia and respite care. The applicants intend to continue to offer the same services and continue to utilize the current commercial pharmacy, pharmacy consultant and medical director.
5. The applicants expect to increase quality at Redstone Villa by building on their positive reputation and experience at FCRC, which has a five-star rating (much above average) on The Centers for Medicare and Medicaid Services (CMS) website, Nursing Home Compare.² FCRC has demonstrated consistent high quality and has received recognition which includes an award and for resident satisfaction received by only 200 skilled nursing facilities in the country, a quality award from the Vermont Health Care Association in 2014, and a quality award for the reduction in the use of anti-psychotic medications and low re-hospitalization rates. Application at 21.
6. FCRC runs an approved Licensed Nursing Assistant (LNA) course and serves as a clinical site for training LNA, LPN and RN students from Vermont Technical College and Albany College of Pharmacy. In addition, FCRC has an established working relationship with Northwestern Technical Center and Cold Hollow Career Center to assist with the recruitment of its staff. FCRC is regarded as an excellent employer in the community.
7. In contrast to FCRC, Redstone Villa is a 2-star rated (below average) facility. The applicants intend to implement initiatives to increase quality in the areas of vaccinations for short and long stay residents, pain control, reduction of falls, catheter use, use of anti-psychotic medication, and wound care management. Application at 7-8, Responses to Questions 6/15/15 at 1-2.
8. The applicants intend to significantly increase the education and training for Redstone Villa staff, which is expected to increase staff retention. The applicants intend to increase direct service nurse full time employees (FTEs) from 5.6 in 2014 to 10.8 in 2015 and increase non-medical FTEs by one in 2015. Financial Table 9. With the exception of hiring a new Nursing Home Administrator, the applicants intend to retain existing staff. The applicants will not increase or decrease the number of licensed beds.

² The CMS website, Nursing Home Compare, allows consumers to access information about the quality of care at all Medicare and Medicaid-certified nursing homes. Nursing homes are separately star-rated on staffing, health inspections and quality measures, resulting in one overall star rating. The lowest star rating is one (much below average), and the highest is five (much above average).

9. The total cost of purchasing Redstone Villa is \$555,000. Revised Financial Table 1. The applicants propose to finance the purchase with \$477,000 in loans, comprised of loans of up to \$209,000 from the Vermont Economic Development Authority (VEDA), and a loan for up to \$280,000 from the Union Bank. The applicants will be contributing \$78,000 in equity. Application at 5-6; Attachments T, U. Additional organizational and financing fees will be funded by the applicants.
10. The applicant projects profits of approximately \$220,007 in 2015, \$252,355 in 2016 and \$287,300 in 2017. If revenues are somewhat lower than projected, profits are still expected to be approximately \$200,000 per year, and the applicants have sufficient personal funds to cover any shortfalls.
11. Currently, Redstone Villa's occupancy rate is 84% percent, which the applicants expect to increase gradually to 86% in 2015 and 88% in 2017. Application at 20-21. FCRC has an occupancy rate above 90%.
12. Redstone Villa receives only \$416 per person/per day from Medicare, compared to almost \$500 per person/per day at FCRC. 9/11/15 Response to questions at 1-2. The applicants intend to admit higher acuity residents to Redstone Villa and increase revenues from Medicare. *Id.*
13. Redstone Villa receives approximately 80% of its revenues from Medicare and Medicaid and approximately 20% from residents who pay privately. Application at Revised Table 6C. The applicants expect an approximate \$4.00 per person/per day decrease in the Medicaid reimbursement rate, which is a savings to Vermont Medicaid. Application at 19.
14. The applicants do not plan any formal construction but will update wall color and room finishes, upgrade television and telephone systems in resident rooms as part of routine maintenance, and upgrade flooring as capital becomes available.
15. The Department of Disabilities, Aging and Independent Living (DAIL) submitted a letter confirming that the 30-skilled nursing beds at Redstone Villa are needed to meet community need and that DAIL supports the purchase by the applicants. Application at Attachment Y.

Standard of Review

Vermont's certificate of need process is governed by 18 V.S.A. §§ 9431-9446 and Green Mountain Care Board Rule 4.000: *Certificate of Need*. The applicants bear the burden to demonstrate that each of the criteria set forth in 18 V.S.A. § 9437(1)-(8) is met. Rule 4.000, §4.302(3).

Conclusions of Law

Section 9437 of Title 18 contains criteria that must be satisfied before the Board may grant an applicant a certificate of need. Here, the applicants have demonstrated that they meet each of the relevant criteria, which we address in turn.

Pursuant to the first criterion, we conclude that the application is consistent with the health resource allocation plan (HRAP). The HRAP, last published in 2009, identifies needs in Vermont's health care system, resources to address those needs, and priorities for addressing them on a statewide basis. *See* 18 V.S.A. § 9437(1).

Pursuant to the second criterion, 18 V.S.A. § 9437(2), the applicants have shown that the cost of the project is reasonable, that they can sustain any financial burden likely to result from the project, that costs of care will not unduly increase, and that less expensive alternatives are not feasible or appropriate. The applicants have benefitted from a very good relationship with the current owner and are purchasing the facility for \$555,000. The applicants have arranged for financing from VEDA and the Union Bank, and will contribute approximately \$78,000 in equity. Findings of Fact (Findings) ¶¶ 9, 10. Based on a review of the applicants' personal financial statements, the applicants have sufficient funds to finance and operate the project as described in the application. In addition, because they own two other facilities in St. Albans, the applicants expect to achieve some economies of scale for their facilities when negotiating with vendors.

Pursuant to the third criterion, the applicants have demonstrated a need for this project that is appropriate that they provide. 18 V.S.A. § 9437(3). DAIL has confirmed that the 30-bed facility is needed in the communities it serves. Finding ¶ 15. The applicants have over twenty years of experience in the field of long-term care; one applicant is currently the Nursing Home Administrator of FCRC, a CMS five-star facility, and both applicants own and co-manage Holiday House, a residential care facility in St. Albans. Based on their combined experience and success as an employer operating a nursing home top-rated for quality, it is appropriate that they use their expertise to operate and improve this lower CMS-rated facility. Findings ¶¶ 2, 3, 5, 7.

The applicants have satisfied the fourth criterion, 18 V.S.A. § 9437(4), by demonstrating that the quality of health care will increase as a result of the project. FCRC, where one of the applicants serves as Nursing Home Administrator, is five-star rated on CMS' Nursing Home Compare website, and both applicants are experienced in residential care operations and management. Findings ¶¶ 2, 3. The applicants have evaluated the facility and identified a multi-pronged approach for improving quality based on the success of FCRC in providing quality care to its residents. The applicants intend to implement policies to address quality improvement including increasing vaccinations for short and long stay residents, pain control, reduction of falls, catheter use, use of anti-psychotic medication, and wound care management. Finding ¶ 7. The applicants also intend to intend to hire additional staff and invest in staff training and education to increase both quality of care and staff retention. Finding ¶ 8. Lastly, the applicants intend to make the facility more appealing and home-like for residents by updating wall colors and finishes and resident room amenities. Finding ¶ 14.

We further conclude that the applicants have shown that the project will not adversely affect other services offered by the applicant and that the project serves the public good. 18 V.S.A. § 9737(5), (6). For many years, the applicants have successfully operated nursing home and residential care facilities with a proven track record and commitment to the community. Findings ¶¶ 2, 3, 5, 6, 8. As we have already noted, the 30-bed facility is needed to ensure that

sufficient skilled nursing facility services are available close to home for the population in this service area.

The applicants have satisfied the seventh statutory criterion. 18 V.S.A. § 9437(7) (applicant must consider affordable, accessible transportation services). The applicants' other facilities, FCRC and Holiday House, currently contract with Green Mountain Transit, Big Brother Transportation services and AMCARE Ambulance Services, and the applicants will utilize the same companies for needed transportation to and from Redstone Villa.

Finally, we conclude that the applicants have satisfied the final criteria, which is not directly relevant to the proposed project. 18 V.S.A. § 9437(8) (requires conformance with health information technology plan if application is for purchase of new health information technology).

We therefore conclude that the applicants have demonstrated that each applicable statutory criterion has been met, and issue a certificate of need on this date.

Order

Pursuant to 18 V.S.A. § 9440(d), the Green Mountain Care Board approves the application of CCK Holdings, LLC and Redstone Villa, LLC and a Certificate of Need shall issue.

SO ORDERED.

Dated: October 1, 2015 at Montpelier, Vermont

s/ Alfred Gobeille)
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s/ Cornelius Hogan)
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s/ Jessica Holmes)
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s/ Betty Rambur)
)
s/ Allan Ramsay)

GREEN MOUNTAIN
CARE BOARD
OF VERMONT

Filed: October 1, 2015

Attest: s/ Janet Richard
Green Mountain Care Board
Administrative Services Coordinator