

**§ 8.430.3.A(5)(i): DOCUMENTATION OF WHETHER THE PROPOSED NEW FACILITY PROVIDES NEEDED BEDS TO AN UNDERSERVED GEOGRAPHICAL AREA, AS DESCRIBED IN SECTION 8.430.3.A.5.j.ii.**

The need for MCHS-Lakewood in the Identified Service Area (ISA) is detailed in the Market Bed Need Analysis presented at Tab 21, including the following ISA characteristics that comply with the Department's criteria for a geographically underserved area:

1. Low nursing facility bed to population ratios.
2. Additional need for nursing facility beds based on application of the Department's bed need formula, for the current and projection years.
3. Significantly increasing elderly population, primary users of post-acute facility services.
4. Large number of beds in Medicaid-certified nursing facilities have been taken out of service, and are therefore not available for occupancy by ISA residents.
5. Majority of Medicaid-certified nursing facilities are located in older, outdated buildings, some of which date back to the 1950's, with the "newest" Medicaid certified beds located in a facility over 24 years old.
6. High occupancy of comparable post-acute nursing facility beds in the ISA.
7. Central location of the MCHS-Lakewood site, with short and easy access to all ISA residents.
8. Support for MCHS-Lakewood from key members of the health care and community leadership.

Note that all Exhibits referenced in this Section are included in Tab 21.

In addition to demonstrating a new model of care, as described in Tab 13, the MCHS-Lakewood application also demonstrates that there is a documented need for these post-acute services in the ISA as an underserved geographical area.<sup>1</sup>

**❖ MCHS-LAKEWOOD NEED FACTORS\***

As is more fully explained in the Market Analysis, the MCHS-Lakewood project also meets a demonstrated need for a new Medicaid-certified nursing facility in the western portion of the Denver metropolitan area. The service area geographic borders, location map, and county

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<sup>1</sup> As explained in Tabs 13 and 21, the MCHS-Lakewood application, by virtue of its new model of care, does not necessarily have to show need in an underserved geographical area; notwithstanding the previous statement, the MCHS-Lakewood project meets a need in an underserved geographical area.

composition are detailed in detail in the Service Area Section 8.430.3.A(2)(b)(iii) of this application. As described in the Service Area Section, MCHS-Lakewood’s service area comprises portions of Jefferson County, Denver County, and Arapahoe. Jefferson County, where MCHS-Lakewood will be located, will comprise 67% of the service area, Denver County will be 22%, and Arapahoe County will be 12%.

The need section that follows (as well as the Market Analysis Section 8.430.3.A(5)(b)) focuses on the elderly population categories residing within ISA borders, the inventory of existing licensed and in-service Medicaid certified beds and bed to population ratios, all of which show the need for additional post-acute Medicaid-certified facilities. This project will respond to the current and projected need of service area elderly residents, which is also shown by the significant community support for this project.

**ELDERLY POPULATION INCREASES IN THE ISA**

From 2013 to 2018, the elderly 65+ and 75+ population residing in the ISA is projected to increase significantly, by 8,716 and 2,911 respectively, an increase of 19.92% and 15.15%, respectively. A similar pattern is illustrated from 2012 and 2017, as summarized in the below charts, as well as in Exhibit C.

	2013	2018	Increase	Percent Increase %
65+ pop	43,762	52,478	+8,716	19.92%
75+ pop	19,213	22,124	+2,911	15.15%

	2012	2017	Increase	Percent Increase %
65+ pop	42,408	49,695	+7,287	17.18%
75+ pop	19,000	20,839	+1,839	9.68%

Source: Pitney Bowes AnySite population estimates and projections.

We are including in this needs analysis, as well as the bed need projections discussed in that section below, data for the 65+ population as well as 75+ population, because there is a portion of the 65+ group that already resides in nursing facilities. Inclusion of the 65+ group takes into account the additional nursing facility beds for this category as it ages in the next 10 years and is subsumed into the 75+ population group. From a health planning standpoint, it is therefore widely accepted to analyze the needs of the 65+ population cohort when reviewing the need for nursing facility services, as it represents the total population that uses nursing facility services.

Pitney Bowes AnySite data was used in this needs analysis. As detailed in the Market Need Analysis by Professor Neumann, Pitney Bowes is a powerful mapping and data reporting application capable of processing complex data analysis. It is designed by Pitney Bowes Software, the leading developers of predictive analytics for over 40 years. The Pitney Bowes

AnySite data system provides the flexibility to analyze custom geographic areas that accurately reflect service area needs, for current and projection years. Also, as detailed in the Market Need Analysis, using the Pitney Bowes demographic data for this purpose is conservative and it is not materially different than the Colorado Department of Local Affairs (“CDLA”) population data, when compared on a county level which is the smallest geography available for CDLA data.

**STATIC INVENTORY OF MEDICAID-CERTIFIED NURSING FACILITY BEDS**

The inventory of licensed nursing facility beds in the service area has remained static over at least the past two years, and has not responded increasing elderly population trends. As illustrated in the following chart, the licensed bed inventory in the ISA has remained flat at 1,177 total licensed nursing facility beds since 2011. Of that total, only 965 licensed nursing facility beds are certified for Medicaid participation, with 212 licensed nursing facility beds therefore not accessible to Medicaid beneficiaries. In addition, these conclusions must be carried forward to the date of the facility’s completed construction, which is 2017.

<b>Licensed Nursing Facility Beds Located in Service Area</b>		
<b>Quarter Ending Date</b>	<b>Total Licensed Nursing Facility Beds</b>	<b>Licensed Beds in Medicaid-Certified Nursing Facilities</b>
9/30/2013	1,177	965
6/30/2013	1,177	965
3/31/2013	1,177	965
12/31/12	1,177	965
9/30/2012	1,177	965
6/30/2012	1,177	965
3/31/2012	1,177	965
12/31/2011	1,177	965
9/30/2011	1,177	965

Source: Licensed Beds-Colorado Department of Health Care Policy and Financing, Quarterly Nursing Facility Census Reports for Periods Ending 9/30/2011-9/30/2013.

Characteristics of the nursing facility bed inventory in the service area include the following:

- **The majority of existing nursing facilities located in the service area are in older outdated buildings**, some dating back to the 1950s, with the newest Medicaid-certified nursing facility over 24 years old, as illustrated in Exhibit D on the following page.
- **The number of licensed beds in the service area is not an accurate reflection of the actual number of nursing home beds that are accessible, in service and available to Medicaid recipients.** This is because the older Medicaid-certified nursing facilities were built and originally licensed during a different nursing home era, when the space/design needs for nursing facilities were different. In order to respond to current demand and space requirements, many ISA nursing facilities have converted patient rooms to lower bed capacity or other uses, including quadruple and triple occupancy rooms to semi-private occupancy, semi-private rooms to private occupancy, and conversion of patient rooms to

support functions such as offices and therapy rooms. These nursing facilities have completed those patient room conversions and decreased the number of beds in use, but have not made the same changes in their licensed bed capacities.

- ♦ **As illustrated in Exhibit D, there are 1,177 total licensed beds in the service area, but only 1,007 beds that are in service and available for occupancy.** This exhibit also illustrates that there are only 795 beds in use in nursing homes that are Medicaid-certified, which equates to 212 beds or 21% of the in service nursing facility capacity being non-accessible to Medicaid beneficiaries. The inventory of in use beds identified in this Exhibit is based on facility tours in February 2013 and phone surveys in October and November 2013.
- ♦ **The two newer nursing facilities in the service area that opened in 1999 and 2010 are not Medicaid-certified, and are therefore not available to Medicaid recipients and only the older buildings are accessible for these patients.** As illustrated in Exhibit D, the third non-Medicaid facility is also not certified for Medicare and is restricted to members of a particular religious group. Access to the same level and quality of services as are available to the general population as whole is a requirement of federal statutes governing the Medicaid program. It is the Department's responsibility to ensure that such access is provided.
- ♦ **MCHS-Lakewood would be the only new post-acute facility in the service area that is accessible to all service area residents including Medicaid patients.** Existing Medicaid-certified facilities are in old outdated buildings, and most of these older facilities focus on long-term care. The new post-acute facilities are not Medicaid-certified and thus the MCSH-Lakewood, if Medicaid certified, would the Department to provide this access as required by federal law.

#### **NEED FOR ADDITIONAL NURSING FACILITY BEDS USING HCPF BED RATIO**

The Department's formula per the §8.430.3.A(5)(j)(2) specifies 40 beds per 1,000 persons over the age of 75 years. As stated in the Elderly Population Section, it is important to look at the 65+ as well as the 75+ population to ensure that post-acute nursing facility services are available for the current total elderly population, as well as the elderly population that will reside in the service area in the future when the new MCHS-Lakewood opens as is projected in 2017.

Based on the application of 40 beds per 1,000 65+ population and the set-up operating Medicaid-certified nursing facility beds, there is a 2017 and 2018 projected need for 1,491 and 1,619 (respectively) additional Medicaid-certified nursing facility beds in the service area. These need calculations are based on the following, as summarized in the attached Exhibit C:

- ♦ **There is a total nursing facility bed need of 2,286 in 2017 and 2,414 in 2018 the planning years, based on the need for 40 beds per 1,000 65+ population.**
- ♦ **There is a net additional need of 1,491 in 2017 and 1,616 in 2018, after subtracting out 795 existing set-up/operational Medicaid-certified nursing facility beds.**

Exhibit C also summarizes the net additional **2017 bed need of 80 beds and 2018 bed need of 134 beds**, based on the 75+ population under the formula. Accordingly, the 60 requested Medicaid-certified beds in this application for MCHS-Lakewood are within this projected need. But as previously stated, calculating need based only on the 75+ population is arbitrary and flawed, as it ignores the needs of a significant portion of the elderly population. The projected bed need should be based on the total 65+ population in order to accurately reflect the projected need for the total elderly population that utilizes nursing facility services.

### **COMMUNITY SUPPORT FOR THE MCHS-LAKEWOOD PROJECT**

**MCHS-Lakewood project has the support of the local community**, including support from the following individuals, with the below selected quotes taken directly from those support letters in Tab 22.

- ◆ **Vicki Poplaski, RN, BSN, Director Case Management, St. Anthony Hospital, Lakewood**
  - Our hospital focus is on return to hospital rates and we had a positive conversation about the work we could collaborate on to decrease readmissions, especially I the Heart Failure and COPD patient population.
  - We are finding that the need for post hospital skilled care has increased along with the expectation of receiving quality care.
  - We are also seeing a higher demand for Medicaid long term post hospital care.
  - Our ability to have Medicaid beds that are able to care for complex patients with quality driven outcomes is of the utmost importance.
  - I support the need for post-acute Medicaid Nursing Home beds in the western Denver community.
- ◆ **Bob Murphy, Mayor of City of Lakewood**
  - Based upon my knowledge of the community designated by the applicant to be served by this new facility, I believe there is a large unmet need for these services for all patients including Medicaid and Medicare patients.
  - Lakewood's demographics reflect the fact that we have the highest number of seniors years 60 or older in the area, and this number will double in less than 10 years.
  - It [ManorCare] will be a tremendous asset to those who require Medicaid assistance to access such services in our local community.
- ◆ **Andy Kerr, State Senator**
  - I believe the community that will be served by this new facility has a large unmet need for these services for all patients including Medicaid and Medicare patients.

- I am also familiar with the applicant's high success rates returning patients back to their home communities.

- ◆ **Cheri Jahn, State Senator**

- I believe there is a strong need for this program and that Colorado lacks in the short-term post-acute rehab services and this organization could help fill this need.
- ManorCare Health Services has a high success rate in returning patients back to their home communities.

- ◆ **Betty Boyd, former state senator on health care matters, Chair of the State's Community Living Advisory Group (joint project by Department of Health Care Policy and Financing and Department of Human Services)**

- I support the proposal by ManorCare because it will specialize in providing short-term sub-acute rehabilitation services.
- There is a tremendous need for this new facility in the western Denver communities around Lakewood.
- There is also a large unmet need to provide these services to Medicaid and Medicare patients given the upcoming population increases in the number of elderly citizens who are age 65 and above.
- The ManorCare model of care which provides intensive post-acute rehabilitation in order to return patients to their homes in the community without being re-hospitalized is consistent with the goals identified by the Advisory Group for the state's long-term care services and support systems.

- ◆ **Ramey Johnson, RN, MSN, City of Lakewood, Office of the City Council (former State Representative, former State Surveyor for the Health Department)**

- By the year 2020, 40% of Lakewood's population will be over 65 years of age.
- As former case manager, I understand firsthand how difficult it is to place patients needing post-acute rehab in the nearby area.
- The lack of this type of bed has held up discharges, and it delays the start of much-needed rehab for patients.
- Delays increase expenses, which affect every payor and drives increased health care costs for everyone.
- Having ManorCare which will offer Medicaid and Medicare beds in Lakewood, can only

be described as a win-win situation for patients, families, and Lakewood and Jefferson County.

- ♦ **Cathy Grimm, LCSW, Director of JFS Senior Solutions** (recently got a grant to expand Senior Connections Program in response to needs of seniors in the west side of Denver)
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  - The requested Medicaid beds are vital to ensure access for all patients who require post-acute rehab services to assist them to return to the community at their highest possible functioning level.
  - There is a tremendous need for this new facility as it will expand availability and accessibility to quality Medicaid-certified post-acute nursing facility services.
  - MCHS-Lakewood would serve an important role in Lakewood by working with our case management team to ensure that seniors who require post-acute nursing care, can transition back to the community upon discharge.
  - The availability of MCHS-Lakewood right in the community will enable seniors to maintain their community connections and support networks.

#### **CENTRAL LOCATION / ESTABLISHED HCR MANORCARE INFRASTRUCTURE**

The MCHS-Lakewood site is centrally located within the ISA and has excellent road access, including easy access to the north/south Wadsworth Boulevard, east/west 6<sup>th</sup> Avenue, and east/west Route 285. In addition there are local roads that crisscross the area including Colfax, Alameda, Kipling and Federal. See Tab 6, Exhibit A.

MCHS-Lakewood would benefit from HCR ManorCare's established operational infrastructure and hospital referral relationships, including from the HCR case management, referral networks, cluster marketing strategies and managed care contracts currently in place in the Denver and Boulder communities. HCR ManorCare's reputation as a quality post-acute provider has already been established with existing Denver area hospitals, including with its successful post-acute outcomes and low hospital readmission rate. MCHS-Lakewood will offer the opportunity to expand these relationships to the western Denver ISA.