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CMS Certification Number (CCN): 555020 (before termination effective April 14, 2022)

February 1, 2023

Roland Pickens  
Interim Chief Executive Officer  
Laguna Honda Hospital & Rehabilitation Center  
[roland.pickens@sfdph.org](mailto:roland.pickens@sfdph.org)

Dear Mr. Pickens:

The Centers for Medicare & Medicaid Services (CMS) received Laguna Honda Hospital & Rehabilitation Center's (Laguna Honda) request to continue to receive extended federal funding as a decertified skilled nursing facility while Laguna Honda pauses its plan to transfer and discharge its residents. Laguna Honda requested this extension of the pause on transfers and discharges pursuant to the terms of the settlement/systems improvement agreement, specifically Paragraphs 7 and 14, by and between CMS, the California Department of Public Health (CDPH), and the City and County of San Francisco on behalf of Laguna Honda, fully executed on November 11, 2022. The letter was sent to the United States Department of Health and Human Services Office of General Counsel and dated January 13, 2023. Laguna Honda also requested that if CMS determines to continue to provide federal funding while Laguna Honda extends the pause, that Laguna Honda would resume transfers and discharges for certain residents. CMS has considered Laguna Honda's request and agrees to provide Laguna Honda extended federal funding while the facility continues to pause resident transfers and discharges, until **May 19, 2023**, under the terms of the settlement/systems improvement agreement and as further specified below.

Pursuant to Laguna Honda's request, CMS will continue federal funding under the terms of the settlement/systems improvement agreement while Laguna Honda pauses resident transfers and discharges until **May 19, 2023**.

The continued pause does not prevent Laguna Honda from transferring and discharging residents when it can do so safely and consistent with CMS's requirements for long term care facilities under 42 C.F.R. Part 483, Subpart B. Specifically, CMS wants to make clear that Laguna Honda may transfer and discharge residents consistent with the transfer and discharge requirements under 42 C.F.R. § 483.15(c) and resident right protections under 42 C.F.R. § 483.10. This extension of the pause does not extend federal funding past November 13, 2023. Laguna Honda, therefore, is advised to manage its resources, including its plans to safely discharge and transfer residents, accordingly, and with that date in mind for when the skilled nursing facility will no longer receive any federal funding. As Laguna Honda suggested in its January 13, 2023 letter, it may use its discretion during the pause to resume and prioritize resident discharges and transfers for the following:

- Residents and/or resident representatives who request transfers or discharges
- Residents appropriately assessed as not requiring skilled nursing care
- Residents for whom Laguna Honda cannot meet their needs and require transfer to a more appropriate setting for the residents' welfare and/or other residents' safety are endangered

For any resident transfer/discharge, Laguna Honda must follow the approved, revised closure plan process, in order to continue to receive extended federal funding. At this time, Laguna Honda's draft revised closure plan has not been approved. CMS, CDPH, and the California Department of Health Care Services provided feedback on Laguna Honda's plan on January 13 and 18, 2023, and we have not yet received a revised version in response. If Laguna Honda does not timely complete its revised closure plan, CMS reserves the right to pursue all remedies and enforcement measures under the settlement/systems improvement agreement. CMS further reserves all its rights under the settlement/systems improvement agreement, including its right to terminate the agreement pursuant to Paragraph 3.

In effectuating transfers and discharges, Laguna Honda must substantially comply with CMS's requirements for long term care facilities at 42 C.F.R. Part 483, Subpart B. These requirements include but are not limited to: appropriate care planning, physician documentation, and informed consent and notice procedures for residents as required by 42 C.F.R. § 483.15(c). Laguna Honda is advised to refer to CMS's State Operations Manual, Appendix PP for additional information about regulatory requirements related to transfers and discharges, and additional relevant guidance.

#### Denial of Payment for New Admissions of Medicare and Medicaid residents continues.

Consistent with the terms of the settlement/systems improvement agreement and CMS's regulatory authority, CMS will continue to deny payment for new admissions to Laguna Honda. Laguna Honda should continue to decrease its census to more manageable levels and focus on quality improvement activities instead of new admissions.

#### Laguna Honda must demonstrate substantial improvement in safety and quality of care in subsequent monitoring surveys.

The first monitoring surveys (health, life safety code, and emergency preparedness) in December 2022 identified an immediate jeopardy situation and multiple quality of care concerns, resulting in actual harm to several residents. In all future monitoring surveys, Laguna Honda, at a minimum, should have no immediate jeopardy findings and reduced actual harm findings. The facility should show steady progress toward full compliance necessary for initial certification. In particular, Laguna Honda should demonstrate improvement in individualized care planning and readiness to transfer and discharge residents safely and appropriately. This includes demonstrating continued improvement in upcoming CMS monitoring surveys.

By no later than May 19, 2023, Laguna Honda should demonstrate tangible progress toward installing permanent leadership with appropriate nursing home experience.

Laguna Honda should prioritize efforts to expeditiously install permanent leadership with appropriate experience in nursing home administration and demonstrate progress toward hiring and onboarding of its Licensed Nursing Home Administrator(s). Laguna Honda's updated draft Action Plan, provided to CMS and CDPH on January 31, 2023 and which has not been approved by CMS, proposes additional approaches, including enrolling "leadership from multiple disciplines" into the California Association of Health Facilities (CAHF) leadership academy for March 2023. Please respond to this letter by February 15, 2023 to address the following:

- Clarify which leaders will attend the CAHF March academy;
- Specify whether any/which leaders will begin taking CAHF online, on-demand courses to begin needed education without delay and before the March academy;
- Indicate whether the Medical Director and other physician leaders can join the California Association of Long-Term Care Medicine to begin coaching before February 28, 2023; and
- Provide a more detailed timeline for anticipated hiring and onboarding of the Licensed Nursing Home Administrator(s) (LNHAs), as only a job posting by April 30, 2023 is currently indicated.

Sincerely,

**Jean C. Ay** -S  
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Jean Ay  
Director  
San Francisco and Seattle Survey & Enforcement Division

Cc:  
California Department of Public Health