

**STATE OF NEW YORK**  
**PUBLIC HEALTH AND HEALTH PLANNING COUNCIL**

**COMMITTEE DAY**

**AGENDA**

*January 23, 2020*  
*10:00 a.m.*

*New York State Department of Health Offices*  
*90 Church Street*  
*4<sup>th</sup> Floor CR 4 A/B, NYC*

**I. COMMITTEE ON ESTABLISHMENT AND PROJECT REVIEW**

Peter Robinson, Chair

**A. Applications for Construction of Health Care Facilities/Agencies**

**Acute Care Services – Construction**

**Exhibit # 1**

	<b><u>Number</u></b>	<b><u>Applicant/Facility</u></b>
1.	192047 C	Mount Sinai Beth Israel (New York County)
2.	192049 C	Mount Sinai Beth Israel (New York County)
3.	151185 C	Wyckoff Heights Medical Center (Kings County)
4.	182006 C	Coney Island Hospital (Kings County)
5.	192063 C	Jacobi Medical Center (Bronx County)
6.	192093 C	Lenox Health Greenwich Village (New York County)
7.	172332 C	Plainview Hospital (Nassau County)
8.	191306 C	St. Joseph Hospital (Nassau County)
9.	191308 C	Mercy Medical Center (Nassau County)

- 10. 182119 C John T. Mather Memorial Hospital of Port Jefferson New York, Inc.  
(Suffolk County)
- 11. 192161 C UPSTATE University Hospital at Community General  
(Onondaga County)
- 12. 192244 C United Health Services Hospitals, Inc. –  
Wilson Medical Center  
(Broome County)

**Hospice Services - Construction**

**Exhibit # 2**

<u>Number</u>	<u>Applicant/Facility</u>
1. 192159 C	Chautauqua Hospice and Palliative Care (Chautauqua County)

**B. Applications for Establishment and Construction of Health Care Facilities/Agencies**

**Acute Care Services - Establish/Construct**

**Exhibit # 3**

<u>Number</u>	<u>Applicant/Facility</u>
1. 192236 E	Glens Falls Hospital (Warren County)

**Residential Health Care Facilities - Establish/Construct**

**Exhibit # 4**

<u>Number</u>	<u>Applicant/Facility</u>
1. 192158 E	Congregational SNF LLC d/b/a New York Congregational Nursing Center, Inc. (Kings County)
2. 181164 E	St. Johnsville Rehabilitation and Nursing Center (Montgomery County)

**C. Home Health Agency Licensures**

**Exhibit # 5**

**Affiliated with Assisted Living Programs (ALPs)**

<u>Number</u>	<u>Applicant/Facility</u>
1. 191302 E	Olean Manor, Inc. d/b/a Field of Dreams Senior Living (Cattaraugus County)

**Changes of Ownership with Consolidation**

<u>Number</u>	<u>Applicant/Facility</u>
1. 192179 E	True Bruce Care at Home, Inc. (Bronx County)

**MEMORANDUM**

**To:** Establishment and Project Review Committee  
Public Health and Health Planning Council

**From:** Tracy Raleigh  
Director, Center for Health Care Facility Planning, Licensure, & Finance

**Date:** January 17 , 2020

**Subject:** CON 192047 Mount Sinai Beth Israel  
CON 192049 Mount Sinai Beth Israel

Mount Sinai Beth Israel (MSBI) is requesting approval through the above two CON applications to transform the healthcare services currently provided at its facilities located at First Avenue and 16<sup>th</sup> Street and will relocate the beds and services to two new locations. The acute care hospital beds and services will be relocated to the existing New York Eye and Ear Infirmary (NYEE) campus on East 14<sup>th</sup> Street, and the behavioral health beds and services will be relocated to 45 Rivington Street, the site of the former Rivington House nursing home.

The overall transformation of MBSI is designed to deliver quality, value, and state-of-the-art healthcare to the Downtown community, and includes, separately from these proposed projects, an investment by the Mount Sinai Health System in expanded access to primary, ambulatory, transitional and urgent care services.

MSBI and NYEE will merge prior to the completion of the construction to operate the East 14<sup>th</sup> Street location as one, 70-bed acute care hospital upon completion of the project. The current MSBI campus will close when the new hospital campus opens in early 2023. There will be no interruption of services through implementation of these projects.

<b>MSBI Certified Beds</b>	<b>Current</b>	<b>192047 Acute Care</b>	<b>192049 Behavioral</b>	<b>Difference</b>
Chemical Dependence - Rehabilitation	30		25	-5
Chemical Dependence - Detoxification	31		26	-5
Coronary Care	8			-8
Intensive Care	36	18		-18
Medical/Surgical	499	52		-447
Psychiatric	92		64	-28
<b>Total</b>	<b>696</b>	<b>70</b>	<b>115</b>	<b>-511</b>

<b>MSBI Certified Services</b>	<b>Current</b>	<b>192047 Acute Care</b>	<b>192049 Behavioral</b>
AIDS Center	x	x	
Ambulatory Surgery – Multi-Specialty	x	x	
Cardiac Catheterization - Adult Diagnostic	x	x	
Cardiac Catheterization - Electrophysiology (EP)	x	x	
Cardiac Catheterization - Percutaneous Coronary Intervention (PCI)	x	x	
Certified Mental Health O/P	x		x
Chemical Dependence - Rehabilitation O/P	x		x
Chemical Dependence - Withdrawal O/P	x		x
Clinic Part Time Services	x		
Comprehensive Psychiatric Emergency Program	x	x	
Dental O/P	x		
Emergency Department	x	x	
Lithotripsy	x	x	
Medical Services - Other Medical Specialties	x	x	x
Medical Services - Primary Care	x		x
Methadone Maintenance O/P	x		x
Primary Stroke Center	x	x	
Renal Dialysis - Acute	x	x	
SAFE Center	x	x	

**192047 Construct replacement hospital and relocate to East 14<sup>th</sup> Street**

- At the site of the current New York Eye and Ear Infirmary (NYEE)
  - Two blocks south (0.2 miles) from the current site
  - Located between 14th Street and 13th Street and between Second Avenue and First Avenue in Manhattan
- The project will involve the construction of a new hospital building and the renovation of two existing buildings at NYEE
  - Construction of a new seven-story addition adjacent to the existing ten-story “North Building” and the six-story “South Building” of NYEE.
  - The addition will be connected to the existing North Building on the Cellar, 1st, and 2nd floors. Extensive demolition and renovation will occur on the Cellar, 1st, 6th, 7th and 9th floors of the existing NYEE North Building, with minor renovation occurring on the 2nd and 3rd floors of the North Building and the Cellar and 1st floors of the South Building.
- NYEE and MSBI will merge to become one, 70-bed hospital
  - All beds and services at NYEE are expected to remain open and operational during construction
- The reduced bed complement of 70 beds is supported by the Department’s absorption analysis which indicates that there is sufficient inpatient capacity in New York City and access to these services will not be compromised as result of this project. Mount Sinai Health

System's transformation plan for MSBI includes reduction of potentially avoidable admissions, readmissions and emergency room visits by growth in ambulatory and transitional care services and other alternative care models and directing complex care to higher volume centers of excellence within the Health System. This plan aligns with the State's DSRIP policy goals to achieve the triple aim of higher quality, better patient outcomes and lower costs.

- Total Project Cost = \$596,476,876

#### **192049 Certify a new behavioral health division located at 45 Rivington Street**

- At the site of the former Rivington House nursing home
  - 1.3 miles (10 minutes) south from current site
  - 1.2 miles (7 minutes) from 302 East 14<sup>th</sup> Street location
- The existing building at 45 Rivington Street is a high rise building and consists of a main five-story building and an adjacent one-story structure on the south-west side of the main building. The project includes a full-gut renovation of the main building.
- Creates a comprehensive integrated health location to address behavioral health, physical health, and psychosocial needs of the community, including:
  - an expansion of the crisis platform by the creation of new Intensive Crisis and Respite beds;
  - the creation of a behavioral health "sub-acute"/intensive outpatient platform, including a Partial Hospitalization Program (PHP)/Intensive Outpatient Program (IOP);
  - the introduction of new integrated primary care services with select specialty services;
  - the operational integration of all inpatient, crisis, and outpatient services to create a singular, streamlined care experience in one location; and
  - the use of specialized peer-based Behavioral Health Care Engagement Teams focusing on critical transitions of care and master treatment plan coordination.
- Total Project Cost = \$140,677,876



**Project # 192047-C  
Mount Sinai Beth Israel**

**Program: Hospital  
Purpose: Construction**

**County: New York  
Acknowledged: August 1, 2019**

**Executive Summary**

**Description**

Mount Sinai Beth Israel (MSBI), a 696-bed, voluntary not-for-profit, Article 28 hospital located at First Avenue and 16<sup>th</sup> Street, New York (New York County), requests approval to relocate its beds and services to two new locations. The acute care hospital beds and services will be relocated to the existing New York Eye and Ear Infirmary (NYEE) campus on East 14<sup>th</sup> Street and the behavioral health beds and services will be relocated to 45 Rivington Street, the site of the former Rivington House nursing home.

This application pertains to the acute care beds and services and proposes to construct a new hospital building and renovate two existing buildings at the NYEE campus on East 14<sup>th</sup> Street, New York (New York County). The new site includes a reduction in beds and services. The East 14<sup>th</sup> Street site is located two blocks south, and only 0.2 miles (five minutes walking time) from the current MSBI campus. The newly constructed seven-story building will be adjacent to, and connected with, existing NYEE buildings. MSBI and NYEE will merge into one hospital (subject to a separate, to-be-submitted filing) at such time when construction is completed and the site will be a single hospital.

Upon completion, the East 14<sup>th</sup> Street site will include 70 certified inpatient beds (52 medical/surgical and 18 intensive care) and will be certified for the following services: Ambulatory Surgery – Multi-Specialty, Cardiac Catheterization (Electrophysiology and PCI), Comprehensive Psychiatric Emergency Program, Emergency Department, Lithotripsy, Medical Services – Other Medical Specialties,

and Acute Renal Dialysis. The new facility will also provide diagnostic radiology services, including MRI, CT, X-Ray and Ultrasound.

MSBI's current 153 certified inpatient beds for mental health and chemical dependence services, including psychiatric (92 beds), chemical dependence-rehabilitation (30 beds) and chemical dependence-detoxification (31 beds) are the subject of a separate CON being concurrently reviewed. CON 192049 is a proposal to certify a new, 115-bed behavioral health hospital division at 45 Rivington Street to effectuate the relocation of MSBI's inpatient and outpatient behavioral health services, including Article 31 certified mental health services and Article 32 chemical dependence services.

Operational and financial realities hinder MSBI's ability to survive in the current health care market. MSBI's aging and outmoded infrastructure, declining inpatient census, and an overall occupancy rate of less than 40% have contributed to sustained losses of over \$430 million over the past four years. Rebuilding on the current campus would require a \$1 + billion investment, and the resulting facility would still not meet the community's evolving need for local access to care.

Mount Sinai Hospitals Group, Inc. (MSHG), a not-for-profit corporation, is the active parent and co-operator of MSBI, Mount Sinai Hospital, Mount Sinai Hospital of Queens, Mount Sinai Brooklyn, Mount Sinai St. Luke's, Mount Sinai Roosevelt, the New York Eye and Eye Infirmary of Mount Sinai and South Nassau Communities Hospital. Together, with the Icahn School of Medicine at Mount Sinai and the Mount Sinai

Medical Center, Inc., Mount Sinai Health System, Inc. is an integrated health care system and academic medical center providing medical care services in the New York metropolitan area across eight hospital campuses. The health care system is designed to increase efficiencies and economies of scale; improve quality and outcomes; and expand access to primary, specialty, and ambulatory care services throughout a wide clinical network.

OPCHSM Recommendation  
Contingent Approval

Need Summary

The Mount Sinai System's support of MSBI through its network of primary, ambulatory, and urgent care, as well as its nearby Centers of Excellence for complex care, makes the certified bed capacity of 70 inpatient beds (52 medical surgical and 18 intensive care) in the proposed new facility viable given volume and operational trends.

Program Summary

Based on the results of this review, a favorable recommendation can be made regarding the facility's current compliance pursuant to 2802-(3)(e) of the New York State Public Health Law.

Financial Summary

Total project costs of \$596,476,876 will be funded as follows: Equity of \$346,476,876 via MSH and MSBI and Bond Financing of \$250,000,000 with a taxable interest rate within a range of 4.00% - 4.50% for a 30-year term. Goldman Sachs & Co. LLC has provided a letter of interest to underwrite the bond financing.

	<i>(in Thousands)</i>	
<u>Budget</u>	<u>Year One</u>	<u>Year Three</u>
Revenues	\$621,104	\$647,240
Expenses	<u>663,258</u>	<u>682,275</u>
Gain/(Loss)	(\$42,154)	(\$35,035)

	<i>(in Thousands)</i>	
<u>Enterprise</u>	<u>Year One</u>	<u>Year Three</u>
Revenues	\$2,664,071	\$2,690,207
Expenses	<u>2,437,925</u>	<u>2,456,942</u>
Gain/(Loss)	\$226,146	\$233,265

## Recommendations

Health Systems Agency

There will be no HSA recommendation for this project.

Office of Primary Care and Health Systems Management

**Approval contingent upon:**

1. Submission of a check for the amount in the approval letter, payable to the New York State Department of Health. Public Health Law Section 2802.7 states that all construction applications requiring review by the Public Health and Health Planning Council shall pay an additional fee of fifty-five hundredths of one percent of the total capital value of the project, exclusive of CON fees. [PMU]
2. Submission of documentation of approval by the Office of Mental Health, acceptable to the Department. [PMU]
3. Submission of documentation of approval by the Office of Addiction Services and Supports, acceptable to the Department. [PMU]
4. Submission of a letter, acceptable to the Department, acknowledging the Design and Construction Contingencies shall not be used without prior written approval. [CCC]
5. Submission of a letter, acceptable to the Department, acknowledging the requirement to submit construction bids and construction contract awards as outlined in the condition below. [CCC]
6. Submission of a bond resolution, acceptable to the Department. Included with the submitted bond resolution must be a sources and uses statement and debt amortization schedule, for both new and refinanced debt. ([BFA])
7. Submission of State Hospital Code (SHC) Drawings, acceptable to the Department, as described in BAEFP Drawing Submission Guidelines DSG-1.0., including a satisfactory response to all open BAER RFI's, including RFI's that are open in ProjNet. [AER]
8. Submission of Engineering (MEP) Drawings, acceptable to the Department, as described in BAER Drawing Submission Guidelines DSG-1.0. [AER]
9. Submission of State Environmental Quality Review (SEQR) Summary of Findings pursuant to 6 NYCRR Part 617.4(b) (6), and 10NYCRR 97.12. [SEQ]

**Approval conditional upon:**

1. The project must be completed within four years from the date of the Public Health and Health Planning Council recommendation letter. Failure to complete the project within the prescribed time shall constitute an abandonment of the application by the applicant and an expiration of the approval.
2. Construction must start on or before June 15, 2020 and construction must be completed by March 1, 2023, presuming the Department has issued a letter deeming all contingencies have been satisfied prior to commencement. In accordance with 10 NYCRR Section 710.10(a), if construction is not started on or before the start date this shall constitute abandonment of the approval. It is the responsibility of the applicant to request prior approval for any changes to the start and completion dates. [PMU]
3. Submission for prior review and approval requests for the use of the Design and Construction Contingencies, acceptable to the Department. [CCC]
4. Submission to the Department, not less frequently than quarterly, a detailed list of the construction bids received, and a detailed list of the construction contracts awarded. If a chosen contractor is not the low bidder an explanation of why the contractor was chosen is required. [CCC]
5. The staff of the facility must be separate and distinct from the staff of other entities; the signage must clearly denote the facility is separate and distinct from other entities; the clinical space must be used exclusively for the approved purpose; and the entrance must not disrupt any other entity's clinical program space. [HSP]
6. The submission of Final Construction Documents, as described in BAER Drawing Submission Guidelines DSG-05, is required prior to the applicant's start of construction. [AER]

Council Action Date

**February 6, 2020**



## Need and Program Analysis

### Background

The proposed project at the East 14<sup>th</sup> Street site will include 70 certified inpatient beds comprised of 52 medical/surgical and 18 intensive care beds. The current MSBI campus will close when the new hospital campus opens in early 2023. There will be no interruption of services through the implementation of this project, nor will there be any changes to any certified extension clinics.

Mount Sinai Beth Israel Transition			
Bed Type	Current Beds	Change	Beds at Completion
Intensive Care	36	-18	18
Coronary Care	8	-8	0
Medical / Surgical	499	-447	52
Total Acute Care	543	-473	70
Chemical Dependence – Rehabilitation*	30	-30	0
Chemical Dependence – Detoxification*	31	-31	0
Psychiatric*	92	-92	0
Total Behavioral*	153	153	0
<b>Total</b>	<b>696</b>	<b>-626</b>	<b>70</b>

Source: 2019 HIFIS/Applicant

\* MSBI's 153 behavioral health inpatient beds are the subject of the companion CON 192049, which is to relocate and modify the behavioral health beds and services. Until 192049 is complete, these beds and services will remain at the current location in the Bernstein Pavilion located between 15<sup>th</sup> and 16<sup>th</sup> street

### Analysis

On its own, the reduction of 473 acute care licensed beds in this project is significant. However, the reduction in licensed beds is a product of and supported by several factors and Mount Sinai system initiatives. Specifically:

- Declining patient census;
- The presence of other hospitals in Lower Manhattan and the Department's absorption analysis which supports that sufficient capacity exists for inpatient services in New York City, and access will not be compromised as a result of this project;
- Mount Sinai's efforts to invest in, emphasize, and expand ambulatory care, transitional care and alternate care models within their Downtown network;
- Mount Sinai's focus on operational improvements to reduce patient length of stay and improve the patient's experience; and
- Mount Sinai's multi-campus health care system with Centers of Excellence for complex inpatient care, of which this project will be fully integrated.

Facility Beds, Average Daily Census, and Occupancy						
Facility/Region	2016		2017		2018	
	ADC	Occ.	ADC	Occ.	ADC	Occ.
<b>Mount Sinai Beth Israel</b>						
Med/Surg*	249.6	45.5%	189.9	34.7%	155.3	28.3%
General Psychiatric	73.2	79.6%	57.7	62.7%	45.7	49.7%
Chemical Dependence	51.8	84.9%	54.5	89.3%	56.3	92.3%
<b>New York Eye and Ear Infirmary</b>						
Med/Surg	1.8	2.6%	1.8	2.6%	2.2	3.2%
<b>Lower Manhattan Hospitals</b>	1,631	53.8%	1,484	50.6%	1,436	49.0%
<b>Manhattan Hospitals</b>	6,071	64.4%	5,924	63.4%	5,757	61.7%
<b>New York City Hospitals</b>	16,181	67.4%	15,853	66.3%	15,475	64.7%

Source: SPARCS

\*Med/Surg in SPARCS also includes ICU, CCU, Maternity, and Pediatrics

The most recent three years of certified data show a decrease in utilization of MSBI's acute care beds from an already low occupancy of 45.5% to 28.3%, and consistently declining average daily patient census (ADC). The ADC at MSBI has declined consistently since 2012 and declined 37.8% between 2016 and 2018. 2019 data submitted by the applicant shows a further 7.9% decline to 143 patients.

The Department performed an absorption analysis to independently assess the bed changes proposed in this project, and this was presented to PHHPC in 2017 and has subsequently been updated with 2018 SPARCS data. The absorption analysis is used to determine whether the decertification of inpatient services will result in shortages of beds and uses actual hospital utilization patterns of people at the zip code level to model where they will seek care if such care is not available at the hospital where the inpatient service reductions are taking place. The analysis confirms the declining inpatient trend in Lower Manhattan, Manhattan and the larger five-borough New York City area; the ADC for all Lower Manhattan hospitals declined by 12.0% from 1,631 patients in 2016 to 1,436 patients in 2018, with a consistent decline each year. The average daily census for all Manhattan Hospitals likewise declined consistently and by 5.2% during this period. The analysis concludes that sufficient inpatient capacity exists in New York City to accommodate the proposed reduction in licensed acute care services and the prior reduction in obstetric, pediatric/neonatal, and cardiac surgery services provided by MSBI.

MSBI also experienced declining volume in its emergency department (ED). Registrations went from 108,003 in 2014 to 87,880 in 2018 to approximately 80,000 in 2019. In the proposed new building, the main emergency department will occupy the first floor with 39 exam rooms, two triage areas, four resuscitation positions and imaging functions. The ED is designed to accommodate 70,000 visits annually which equates to about 1,795 visits per exam room. This first floor ED will be supplemented by six Pediatric ED exam rooms on the third floor, as well as a five-bed Comprehensive Psychiatric Emergency Program (CPEP) and two-bed Extended Observation Bed (EOB) suite on the ninth floor. Volume projections follow.

	Actual	Year One	Year Three
ED Registrations	2018	2023	2025
General ED	69,562	55,409	55,409
Pediatric ED	12,293	9,792	9,792
CPEP	6,025	4,799	4,799
<b>Total Registrations</b>	<b>87,880</b>	<b>70,000</b>	<b>70,000</b>

The Department's analysis further projects that about 70% of MSBI's emergency visits could be seen in primary or urgent care settings.

To this last point, MSBI has made significant investments in primary, ambulatory, and urgent care to create the Mount Sinai Downtown Multi-Campus Network, including more than 16 physician practice locations with over 600 physicians, Mount Sinai Downtown Union Square, a 275,000 square foot

extension clinic center located at 10 Union Square East with enhanced ambulatory procedural capacity, and Mount Sinai Downtown Chelsea Center, which contains a woman's health center with integrated breast cancer and gynecologic oncology services. This same investment will also have an impact on avoidable admissions and readmissions going forward. Further growth of Mount Sinai's Hospital at Home and other innovative, healthcare management models is expected to place further downward pressure on inpatient utilization.

For those who must be admitted, MSBI has taken several measures in a concerted effort to reduce length of stay and improve the patient's experience with throughput improvements, such as:

- All private patient rooms;
- Shifting to a 24/7/365 operating model for the vast majority of tests, consults, and treatments during an inpatient stay;
- Shifting from a geographic to a non-geographic coverage model (the same staff members follow a patient throughout their stay at the hospital) to improve continuity of care;
- Significant investment and emphasis on LEAN improvement throughout the care cycle, reducing the waiting time for tests and results
- Reassessing patients every four hours

MSBI projects that these measures together could reduce average medical/surgical length of stay by 2-3 days overall from 5.3 days on average to 2.5 days on average. While also reducing the average length of stay at MSBI, the planned shift of complex, longer-stay patients to other Mount Sinai Health System high-volume Centers of Excellence affords patients access to high quality specialized care in other nearby facilities. Patients presenting at MSBI may be transferred to:

- Mount Sinai Hospital for:
  - Heart
  - Cancer
  - Spine
  - Transplant
  - Kravis Children's Hospital
  - Obstetrics
- Mount Sinai West for:
  - Orthopedics
  - Epilepsy/Movement Disorders
  - Intracranial Hemorrhage
  - Neonatology
  - Obstetrics
- Mount Sinai St. Luke's for:
  - Trauma Center
  - Heart/Revascularization

To arrive at the proposed 70 beds for the new facility, MSBI started with their current average daily patient census and attributed a corresponding reduction due to each of the factors and initiatives listed above. MSBI projects an average daily census of 45 patients in those 70 beds in Years One (2023) and Three (2025) of the new facility.

Through this project, the new replacement hospital of MSBI will be certified for the following services:

- Ambulatory Surgery-Multi Specialty
- Cardiac Catheterization-Percutaneous Coronary Intervention (PCI)
- Cardiac Catheterization-Electrophysiology (EP)
- Comprehensive Psychiatric Emergency Program
- Emergency Department
- Lithotripsy
- Renal Dialysis-Acute
- Medical Services – Other Medical Specialties

Additionally, the hospital anticipates maintaining the following designations:

- AIDS Center
- Primary Stroke Center
- SAFE Center

The certified services of Clinic Part Time Services, Dental O/P, Medical Services-Primary Care, and Radiology-Therapeutic (artifact) will be decertified from the MSBI operating certificate.

There will be no change to the extension clinics of MSBI as a result of this project.

Staffing related to the acute care beds and services is expected to decrease as a result of this project by 1,334.0 FTEs in Year One and Year Three of the completed project. The applicant indicates there is no expected job loss because the jobs are expected to be relocated throughout the Mount Sinai Health System.

#### Transition Plan

MSBI will notify staff, providers, and elected officials of the transition of services prior to the effective date. Signage will also be placed in prominent locations throughout the hospital, notifying the appropriate people of the pending transition and providing them with a contact number. A patient notification letter will be given to patients who have received treatment within the previous 12 months prior to the relocation of the relevant services at the MSBI campus. The letter will be distributed to patients once the NYSDOH issues its approval of the transition plan. The letter will be given to patients who arrive at the MSBI campus prior to the relocation of its services, and it will be mailed to patients who do not come in for services prior to the relocation. The letter will identify alternative providers for treatment and will give them contact information for retrieving their medical records, with the appropriate consents. The list of area providers will be included with the letter. Content will include the facility name, address, and telephone number.

#### Compliance with Applicable Codes, Rules and Regulations

The medical staff will continue to ensure that the procedures performed at the facility conform to generally accepted standards of practice and that privileges granted are within the physician's scope of practice and expertise. The Facility's admissions policy includes anti-discrimination provisions regarding age, race, creed, color, national origin, marital status, sex, sexual orientation, religion, disability or source of payment. All procedures are performed in accordance with all applicable federal and state codes, rules and regulations. The Facility's accreditation is a Medicare deemed survey done by The Joint Commission to insure we comply with all regulations. A sliding fee scale is in place for those without insurance and provisions are made for those who cannot afford services.

This facility has no outstanding Article 28 surveillance or enforcement actions and, based on the most recent surveillance information, is deemed to be currently operating in substantial compliance with all applicable State and Federal codes, rules and regulations. This determination was made based on a review of the files of the Department of Health, including all pertinent records and reports regarding the facility's enforcement history and the results of routine Article 28 surveys as well as investigations of reported incidents and complaints.

#### Prevention Agenda

Mount Sinai Beth Israel states that their Community Service Plan describes their participation with community partners, including NYCDOMH public health officials to assess community needs and determines Prevention Agenda priorities for the local community. Mount Sinai Beth Israel identified the following Prevention Agenda Priorities focused on secondary prevention:

- Prevent Chronic Diseases: Screening for high blood pressure, cholesterol and cardiovascular health
- Promote Mental Health and Prevent Substance Abuse: Preventing suicides, preventing mental emotion behavioral disorders and strengthening infrastructure. In suicides prevention, Mount Sinai is focused on crisis intervention when calls are received by Mobile Crisis Teams.

- Prevent HIV, STDs, Vaccine-Preventable Diseases, and Healthcare- Associated Infections: Promoting Influenza (flu) vaccinations

In 2017 the applicant spent \$5,894,048 on community health improvement services, representing 0.542% of total operating expenses.

Conclusion

The proposed project will transform the services of MSBI and will be a fully integrated component of the Mount Sinai Health System’s Downtown network of primary, ambulatory, transitional, and urgent care centers. This factor as well as the Health System’s nearby Centers of Excellence for complex care in Manhattan, makes the proposed certified bed capacity of 70 inpatient beds (52 medical surgical and 18 intensive care) in the new facility viable given volume and operational trends. The proposed new hospital project will be built to modern design standards with a more efficient infrastructure and patient-centric service configuration including all private patient rooms and is designed to deliver quality and value-driven healthcare services that improve the patient’s experience.

<h2>Financial Analysis</h2>
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Total Project Cost and Financing

Total project cost for new construction and the acquisition of moveable equipment is estimated at \$596,476,876 broken down as follows:

New Construction	\$280,403,610
Renovation and Demolition	63,832,095
Site Development	2,098,261
Temporary Utilities	370,120
Asbestos Abatement or Removal	4,645,671
Design Contingency	34,423,571
Construction Contingency	20,403,390
Planning Consultant Fees	1,703,999
Architect/Engineering Fees	33,500,000
Construction Manager Fees	2,983,066
Other Fees (Consultant)	20,558,316
Moveable Equipment	61,902,927
Telecommunications	25,137,183
Financing Costs	3,750,000
Interim Interest Expense	37,500,000
CON Application Fee	2,000
Additional Processing Fee	<u>3,262,667</u>
<b>Total Project Cost</b>	<b>\$596,476,876</b>

Project costs are based on a construction start date of April 15, 2020, and a 33-month construction.

The applicant’s financing plan appears as follows:

Equity	\$346,476,876
Bond Financing	\$250,000,000
<i>(taxable interest range of 4.0% - 4.5% for 30-years)</i>	

The equity contribution will be provided by MSH and MSBI. BFA Attachments A and B are the 2017-2018 certified financial statements of MSH and MSBI, respectively, which indicate sufficient resources for the stated equity contribution. Goldman Sachs & Co. LLC has provided a letter of interest to underwrite the bond financing.

## Operating Budget

The applicant has submitted an operating budget for the services that will be included in the new hospital campus, in 2020 dollars, for the Current Year and the first and third years, summarized below. The budget combines the operating results of MSBI and NYEE as the hospitals will be a merged single hospital prior to this project being fully implemented.

	<u>Current Year (2018) - (in thousands)</u>		
	<u>MSBI</u>	<u>NYEE</u>	<u>Combined</u>
<u>Revenues</u>			
Comm MC	\$196,780	\$59,772	\$256,552
Medicare FFS	\$151,771	\$29,251	\$181,022
Medicare MC	\$92,292	\$19,808	\$112,100
Medicaid FFS	\$88,759	\$1,469	\$90,228
Medicaid MC	\$88,871	\$25,823	\$114,694
Other	\$17,270	\$9,018	\$26,288
Non-Op Revenues	\$9,343	\$0	\$9,343
Other Revenues	<u>\$57,599</u>	<u>\$5,996</u>	<u>\$63,595</u>
Total Revenues	\$702,685	\$151,137	\$853,822
<u>Expenses</u>			
Operating	\$710,853	\$131,891	\$842,744
Capital	<u>60,951</u>	<u>9,106</u>	<u>\$70,057</u>
Total Expenses	\$771,804	\$140,997	\$912,801
Deficit of Revenues over Expenses	(\$69,119)	\$10,140	(\$58,979)
Discharges	11,243	324	11,567
Visits	511,241	180,845	692,086
	<u>Current Combined</u>	<u>Year One</u>	<u>Year Three</u>
<u>Revenues</u>			
Comm MC	\$256,552	\$207,860	\$217,374
Medicare FFS	\$181,022	\$106,925	\$111,316
Medicare MC	\$112,100	\$78,644	\$82,049
Medicaid FFS	\$90,228	\$73,605	\$76,972
Medicaid MC	\$114,694	\$85,509	\$89,323
Other	\$26,288	\$18,883	\$19,706
Other Rev	\$63,595	\$40,335	\$41,157
Non-Op Revenues	<u>\$9,343</u>	<u>\$9,343</u>	<u>\$9,343</u>
Total Revenues	\$853,822	\$621,104	\$647,240
<u>Expenses</u>			
Operating	\$842,744	\$597,554	\$620,160
Capital	<u>70,057</u>	<u>65,704</u>	<u>62,115</u>
Total Expenses	\$912,801	\$663,258	\$682,275
Deficit of Revenues over Expenses	<u>(\$58,979)</u>	<u>(\$42,154)</u>	<u>(\$35,035)</u>
Discharges	11,567	6,336	6,336
Visits	692,086	659,951	673,785

The following is noted with respect to the operating budget:

- Expense assumptions are based upon staffing budgets developed for each department by hospital management. The projected staffing levels incorporate expected volume and efficiencies gained by the combination of MSBI and NYEE.
- Inpatient utilization is based upon the expected emergent and elective medical and surgical volume and a decreased average length of inpatient stay. Centers of Excellence within the Mount Sinai Health System will result in some longer-stay, high-acuity inpatients being served at other Health

System sites. Ambulatory utilization is based upon trend data and available capacity at the new hospital facility. In general, ambulatory volume is generally projected to grow between 1% and 2% annually.

- Reimbursement rates are based on Mount Sinai Health System's existing payment rates with a projected increase of 2% between the first and third years.

Utilization, broken down by payor source as follows:

<u>Inpatient</u>	<u>Current Year</u>	<u>Year One</u>	<u>Year Three</u>
Medicaid FFS	18.09%	20.88%	20.88%
Medicaid MC	27.74%	21.02%	21.02%
Medicare FFS	25.03%	23.47%	23.47%
Medicare MC	6.54%	6.38%	6.38%
Commercial MC	21.78%	27.30%	27.30%
Other	<u>.82%</u>	<u>.95%</u>	<u>.95%</u>
Total	100.00%	100.00%	100.00%

<u>Outpatient</u>	<u>Current Year</u>	<u>Year One</u>	<u>Year Three</u>
Medicaid FFS	31.81%	31.91%	31.91%
Medicaid MC	15.10%	15.08%	15.08%
Medicare FFS	15.82%	15.81%	15.81%
Medicare MC	2.74%	2.73%	2.73%
Commercial MC	30.51%	30.49%	30.49%
Other	<u>4.02%</u>	<u>3.98%</u>	<u>3.98%</u>
Total	100.00%	100.00%	100.00%

#### Capability and Feasibility

Total project costs of \$596,476,876 will be funded as follows: Equity of \$346,476,876 via Mount Sinai Hospital and Mount Sinai Beth Israel and Bond financing of \$250,000,000 at an interest rate within a range of 4.00% - 4.50% for a 30-year term. BFA Attachments A and B are the 2018 certified financial statements and internal financial statements of Mount Sinai Hospital and Mount Sinai Beth Israel as of June 30, 2019, which indicate the availability of sufficient funds for the equity contribution.

The submitted budget projects a deficit of revenues over expenses of \$42,154 and \$35,035 during the first and third years, respectively. The projected losses will be offset via operations. Revenues are based on current reimbursement methodologies. The submitted budget appears reasonable.

As shown on BFA Attachment A, Mount Sinai Hospital had an average positive working capital position and an average positive net asset position for the 2017 - 2018 period. Also, the entity achieved an average excess of revenues over expenses of \$207,244,000 for the 2017 - 2018 period. The entity had a positive working capital position and a positive net asset position through June 30, 2019. Also, the entity achieved an operating excess of revenues over expenses of \$110,231,000 through June 30, 2019.

As shown on BFA Attachment B, Mount Sinai Beth Israel had an average negative working capital position and an average positive net asset position in 2017 and 2018. MSBI had a negative working capital position in 2017 and 2018 due to the following: ongoing maintenance and repair costs to maintain an outdated physical plant and ongoing costs to maintain vacant square footage due to decreasing inpatient and outpatient utilization of services. Additionally, MSBI incurred an average excess of expenses over revenues of \$114,385,500 for the 2017 - 2018 period. The losses from operations are mainly attributable to reduced patient volume, operational costs to maintain vacant space related to the reduced patient volume and operational costs needed to maintain an outdated physical plant on an ongoing basis. MSBI had a negative working capital position and a positive net asset position through June 30, 2019. Additionally, MSBI incurred an operating deficit of expenses over revenues of \$53,255,000 through June 30, 2019.

BFA Attachment C is the 2017 and 2018 certified financial statements and the internal financial statements of The New York Eye and Ear Infirmary and Affiliates as of June 30, 2019. As shown, the entity had an average positive working capital position and an average positive net asset position for the

period. Also, the entity achieved an average excess of operating revenues over expenses of \$5,317,000 for the 2017 - 2018 period shown. The entity incurred a 2017 operating loss of \$1,373,000. The applicant indicated that the reason for the losses were due to NYEE experiencing a substantial decline in other revenues associated with services directly related to patient services. The improvements in 2018 are largely the result of the transgender program that was moved to NYEE in mid-2018, as well as continued revenue cycle and expense management efforts in place. Additionally, as shown on the June 30, 2019 internal financial statements, the entity had a positive working capital position and a positive net asset position through June 30, 2019. Additionally, the entity achieved operating revenues over expenses of \$9.760,000 through June 30, 2019.

#### Conclusion

Subject to the noted contingency, the applicant has demonstrated the capability to proceed in a financially feasible manner.

## Attachments

- BFA Attachment A 2017 and 2018 certified financial statements and June 30, 2019 internal financial statements of Mount Sinai Hospital.
- BFA Attachment B 2017 and 2018 certified financial statements and June 30, 2019 internal financial statements of Mount Sinai Beth Israel.
- BFA Attachment C 2017 and 2018 certified financial statements and June 30, 2019 internal financial statements of The New York Eye and Ear Infirmary and Affiliates.





**Project # 192049-C  
Mount Sinai Beth Israel**

**Program: Hospital  
Purpose: Construction**

**County: New York  
Acknowledged: August 1, 2019**

**Executive Summary**

**Description**

Mount Sinai Beth Israel (MSBI), a 696-bed, voluntary not-for-profit, Article 28 hospital located at First Avenue and 16<sup>th</sup> Street, New York (New York County), requests approval to relocate its beds and services to two new locations. The acute care hospital beds and services will be relocated to the existing New York Eye and Ear Infirmary (NYEE) campus on East 14<sup>th</sup> Street, and the behavioral health beds and services will be relocated to 45 Rivington Street, the site of the former Rivington House Residential Health Care Facility (RHCF).

This application pertains to the behavioral health beds and services and proposes to certify a new, 115-bed behavioral health hospital division at 45 Rivington Street, New York (New York County) consisting of 64 psychiatric beds, 26 chemical dependency-detoxification (CD-detox) beds and 25 chemical dependency-rehabilitation (CD-rehab) beds .The proposal creates a continuum of integrated care for behavioral health, physical health, and psychosocial needs and addresses significant gaps in the behavioral health services continuum of care through the expansion of existing outpatient services, on-site integrated primary care and subspecialty care services and coordination of services through specialized behavioral health care coordinators. The new division will be named Mount Sinai Comprehensive Behavioral Health Center.

The new site is 1.3 miles from of the current site and 1.2 miles from the East 14<sup>th</sup> Street location. The existing Rivington Street building is a five-story building which will undergo a gut renovation to create an inpatient and outpatient health location.

To create this new transformational model and remove excess inpatient bed capacity from the healthcare system, MSBI will decertify 28 psychiatric beds, five CD-detox beds and five CD-rehab beds. The model redesigns existing inpatient and outpatient services and includes the following: creation of a behavioral health or “sub-acute” intensive outpatient platform including a Partial Hospitalization Program (PHP) / Intensive Primary Care Program; introduction of integrated primary care services with select specialty services; operational integration of all inpatient, crisis, and outpatient services to create a singular, streamlined care experience in one location; and specialized peer based Behavioral Health Care Engagement Teams focusing on critical transitions of care and master treatment plan coordination.

Concurrently under review is CON 192047, which is the request to relocate the acute care beds and services to the site of the current New York Eye and Ear Infirmary

Mount Sinai Hospitals Group, Inc. (MSHG), a not-for-profit corporation, is the active parent and co-operator of MSBI, Mount Sinai Hospital, Mount Sinai Hospital of Queens, Mount Sinai Brooklyn, Mount Sinai St. Luke’s, Mount Sinai Roosevelt, the New York Eye and Eye Infirmary of Mount Sinai and South Nassau Communities Hospital. Together, with the Icahn School of Medicine at Mount Sinai and the Mount Sinai Medical Center, Inc., Mount Sinai Health System, Inc. is an integrated health care system and academic medical center providing medical care services in the New York metropolitan area across eight hospital campuses. The Health

System is designed to increase efficiencies and economies of scale; improve quality and outcomes; and expand access to primary, specialty, and ambulatory care services throughout a wide clinical network.

OPCHSM Recommendation  
Contingent Approval

Need Summary

The decertification of beds is driven by a downward trend in behavioral health discharges due to factors that include the increased availability of crisis and transitional services, enhanced outpatient services, and new care management and community based residential services being provided in New York State. MSBI anticipates reducing the number of preventable hospital admissions through their new intensive-level outpatient services integrated with primary care.

Program Summary

Based on the results of this review, a favorable recommendation can be made regarding the facility's current compliance pursuant to 2802-(3)(e) of the New York State Public Health Law.

Financial Summary

Total Project cost is estimated at \$140,677,876 and will be funded with equity via MSH and MSBI.

<u>Budget</u>	<u>Year One</u>	<u>Year Three</u>
Revenues	\$113,789,000	\$117,557,000
Expenses	<u>86,829,000</u>	<u>90,294,000</u>
Gain	\$26,960,000	\$27,263,000

## Recommendations

Health Systems Agency

There will be no HSA recommendation for this project.

Office of Primary Care and Health Systems Management

**Approval contingent upon:**

1. Submission of a check for the amount enumerated in the approval letter, payable to the New York State Department of Health. Public Health Law Section 2802.7 states that all construction applications requiring review by the Public Health and Health Planning Council shall pay an additional fee of fifty-five hundredths of one percent of the total capital value of the project, exclusive of CON fees. [PMU]
2. Submission of documentation of approval by the Office of Mental Health, acceptable to the Department. [PMU]
3. Submission of documentation of approval by the Office of Addiction Services and Supports, acceptable to the Department. [PMU]
4. Submission of State Hospital Code (SHC) Drawings, acceptable to the Department, as described in BAEFP Drawing Submission Guidelines DSG-1.0, including a satisfactory response to all open BAER RFI's, including RFI's that are open in ProjNet. [AER]
5. Submission of Engineering (MEP) Drawings for review and approval, as described in BAER Drawing Submission Guidelines DSG-1.0, acceptable to the Department. [AER]

**Approval conditional upon:**

1. The project must be completed within three years from the date of the Public Health and Health Planning Council recommendation letter. Failure to complete the project within the prescribed time shall constitute an abandonment of the application by the applicant and an expiration of the approval. [PMU]
2. Construction must start on or before June 15, 2020 and construction must be completed by September 30, 2022, presuming the Department has issued a letter deeming all contingencies have been satisfied prior to commencement. In accordance with 10 NYCRR Section 710.10(a), if construction is not started on or before the start date this shall constitute abandonment of the approval. It is the responsibility of the applicant to request prior approval for any changes to the start and completion dates. [PMU]
3. The staff of the facility must be separate and distinct from the staff of other entities; the signage must clearly denote the facility is separate and distinct from other entities; the clinical space must be used exclusively for the approved purpose; and the entrance must not disrupt any other entity's clinical program space. [HSP]
4. The submission of Final Construction Documents, as described in BAER Drawing Submission Guidelines DSG-05, is required prior to the applicant's start of construction. [AER]
5. MSBI shall not proceed with the following activities unless and until the Office of Mental Health has developed a path to allow and approved through the submission of either a licensing application or regulatory waiver:
  - a. establishment of EOB capacity at the Center, separate from the CPEP's physical location;
  - b. the ability to conduct "direct admissions" from one of the Center's outpatient programs to an EOB or inpatient bed at the same location.

Council Action Date

**February 6, 2020**

## Need and Program Analysis

### Project Description

The new site, Mount Sinai Comprehensive Behavioral Health Center, will operate as a division of MSBI. MSBI will decertify 28 inpatient psychiatric beds, five chemical dependency – detoxification beds and five chemical dependency – rehabilitation beds, resulting in 64 inpatient psychiatric beds, 26 chemical dependency – detoxification beds and 25 chemical dependency – rehabilitation beds for a total of 115 behavioral beds. Concurrently MSBI will expand and diversify the behavioral health crisis and intensive outpatient platform and integrating these new services into re-designed existing inpatient and outpatient services.

MSBI is proposing a new model of comprehensive care by creating a continuum of integrated care for behavioral health, physical health, and psychosocial needs of the community. This project proposes to renovate approximately 134,100 square feet throughout the building to include:

- 64 inpatient psychiatric beds, 26 chemical dependency-detoxification beds, and 25 chemical dependency-rehabilitation beds relocated from the Bernstein Pavilion;
- The dually certified New York State OMH and New York State DOH Assertive Community Treatment (ACT) Program and the Adult Clinic Treatment Program, relocated from the Bernstein Pavilion;
- The dually certified New York State OASAS and New York State DOH Medical Managed Detoxification Program, the Medically Supported Withdrawal Outpatient, the Chemical Dependence Outpatient Clinic, and the Chemical Dependence Outpatient Rehabilitation program, relocated from the Bernstein Pavilion.
- A 25-slot Partial Hospitalization Program (PHP) and a 35-slot Intensive Outpatient Program (IOP) on the first floor;
- Integrated outpatient behavioral health, primary care, and sub-specialty clinic space on the second floor;
- Ancillary support and administrative space for the behavioral health inpatient and outpatient to be provided at the 45 Rivington Street location; and
- Eight extended observation beds (EOB) of MSBI's comprehensive psychiatric emergency program (CPEP) at 45 Rivington Street. Currently, there is no legal or regulatory path to allow for a CPEP to operate EOBs in a building separate from the CPEP. Until such a path exists, MSBI will not be allowed to utilize EOB beds at this division because the CPEP will be located at the East 14<sup>th</sup> Street division.

By creating a unified physical platform where mental health, substance use and primary care services are operationally integrated, MSBI will be better able to treat the whole patient, reduce operational inefficiencies, and help reduce the overutilization of acute and emergency levels of care. largely due to the increased availability of crisis and transitional services, enhanced outpatient services, and new care management and community based residential services being offered.

## Analysis

Current and Proposed Beds			
Bed Type	Current Beds	Bed Change	Result
Chemical Dependence - Rehabilitation	30	-5	25
Chemical Dependence - Detoxification	31	-5	26
Psychiatric	92	-28	64
<b>Total</b>	<b>153</b>	<b>-38</b>	<b>115</b>

Source: 2019 HIFIS/Applicant

Current and Projected Discharges						
Bed Type	2014	2015	2016	2017	2018	Year One and Three
Chemical Dependence - Rehabilitation	699	675	673	718	870	745
Chemical Dependence - Detoxification	4,700	3,268	2,495	2,623	2,606	2,484
Psychiatric	2,179	2,402	2,449	2,178	1,831	2,081
<b>Total</b>	<b>7,758</b>	<b>6,345</b>	<b>5,617</b>	<b>5,519</b>	<b>5,307</b>	<b>5,310</b>

Source: ICR Cost Report/Applicant

Table 3: Utilization / Occupancy					
Bed Type	2014	2015	2016	2017	2018
Chemical Dependence - Rehabilitation	89%	87%	84%	87%	93%
Chemical Dependence - Detoxification	148%	102%	81%	87%	84%
Psychiatric	84%	81%	79%	61%	50%

Source: ICR Cost Report/Applicant

As depicted above, MSBI has experienced a decline in discharges and patient days for inpatient psychiatric and chemical dependency detoxification and projects a plateau of discharges for all behavioral services in 2019 based on the increased availability of crisis and transitional services, enhanced outpatient services, and new care management and community based residential services being provided in New York State. Based upon this decreasing utilization MSBI has determined the most effective way to serve its patients is to operate 64 inpatient psychiatric beds, 26 chemical dependency-detoxification beds and 25 chemical dependency-rehabilitation beds.

Staffing is expected to increase for the behavioral health services by 74.2 FTEs in Year One and Year Three of the completed project, primarily due to increases in Technicians and Specialists and Infection Control, Environment, and Food Service employees related to operating as a physically separate division.

### Compliance with Applicable Codes, Rules and Regulations

The medical staff will continue to ensure that the procedures performed at the facility conform to generally accepted standards of practice and that privileges granted are within the physician's scope of practice and expertise. The Facility's admissions policy includes anti-discrimination provisions regarding age, race, creed, color, national origin, marital status, sex, sexual orientation, religion, disability or source of payment. All procedures are performed in accordance with all applicable federal and state codes, rules and regulations. The Facility's accreditation is a Medicare deemed survey done by The Joint Commission to insure we comply with all regulations. A sliding fee scale is in place for those without insurance and provisions are made for those who cannot afford services.

This facility has no outstanding Article 28 surveillance or enforcement actions and, based on the most recent surveillance information, is deemed to be currently operating in substantial compliance with all applicable State and Federal codes, rules and regulations. This determination was made based on a review of the files of the Department of Health, including all pertinent records and reports regarding the facility's enforcement history and the results of routine Article 28 surveys as well as investigations of reported incidents and complaints.

## Prevention Agenda

Mount Sinai Beth Israel states that their Community Service Plan describes their participation with community partners, including NYCDOMH public health officials, to assess community needs and determines Prevention Agenda priorities for the local community. Mount Sinai Beth Israel identified the following Prevention Agenda Priorities:

- Prevent Chronic Diseases: Screening for high blood pressure, cholesterol and cardiovascular health
- Promote Mental Health and Prevent Substance Abuse: Preventing suicides, preventing mental emotion behavioral disorders and strengthening infrastructure. In suicides prevention, Mount Sinai is focused on crisis intervention when calls are received by Mobile Crisis Teams.
- Prevent HIV, STDs, Vaccine-Preventable Diseases, and Healthcare- Associated Infections: Promoting Influenza (flu) vaccinations

In 2017 the applicant spent \$5,894,048 on community health improvement services, representing 0.542% of total operating expenses.

## Conclusion

The reduction in the number of certified behavioral health beds will right-size the service and the relocation to a new site will provide a comprehensive inpatient and out-patient community- oriented center for behavioral health care with a one-stop location of services for mental health, substance use, physical health and social service needs for the residents of MSBI's primary service area.

# Financial Analysis

## Total Project Cost and Financing

Total project cost, which is for renovations and the acquisition of moveable equipment, is estimated at \$140,677,876, further broken down as follows:

Renovation and Demolition	98,580,000
Design Contingency	9,858,000
Construction Contingency	9,858,000
Fixed Equipment	614,800
Architect/Engineering Fees	6,000,000
Construction Manager Fees	3,337,533
Other Fees (Consultant)	1,440,000
Moveable Equipment	3,764,360
Telecommunications	6,453,698
CON Fee	2,000
Additional Processing Fee	<u>769,485</u>
Total Project Cost	140,677,876

Project costs are based on a construction state date of April 15, 2020, and a 28-month construction period. The project cost will be met via equity by MSH and MSBI.

## Operating Budget

The applicant has submitted an incremental operating budget for the Behavioral Health services, in 2019/20 dollars, for the first and third years after project completion, summarized below (in thousands):

	(* In Thousands)					
	Current Year (2018)		Year One		Year Three	
	Per Disch.	Total *	Per Disch.	Total *	Per Disch.	Total *
<u>Inpt Revenue</u>						
Medicaid FFS	\$6,536	\$6,013	\$7,784	\$6,609	\$8,099	\$6,876
Medicaid MC	\$6,595	19,645	\$7,847	21,594	\$8,164	22,466
Medicare FFS	\$12,645	7,094	\$14,790	8,504	\$15,388	8,848
Medicare MC	\$9,460	3,576	\$11,049	4,287	\$11,495	4,460
Comm MC	\$10,071	4,280	\$12,536	8,800	\$13,041	9,155
Other	\$620	<u>31</u>	\$773	<u>34</u>	\$818	<u>36</u>
Total Inpt. Rev		\$40,639		\$49,828		\$51,841
<u>Outpt Revenue</u>						
	Per Visit	Total *	Per Visit	Total *	Per Visit	Total *
Medicaid FFS	\$171.41	\$325	\$219.38	\$788	\$223.80	\$820
Medicaid MC	\$171.48	\$3,895	\$219.34	\$9,437	\$223.72	\$9,818
Medicare FFS	\$171.38	\$1,091	\$219.34	\$2,645	\$223.74	\$2,752
Medicare MC	\$171.46	\$847	\$219.30	\$2,052	\$223.68	\$2,135
Comm MC	\$171.53	\$1,058	\$221.05	\$2,583	\$223.70	\$2,666
Other	\$171.61	<u>\$133</u>	\$219.50	<u>\$322</u>	\$223.78	<u>\$335</u>
Total Outpt. Rev		\$7,349		\$17,827		\$18,526
Non-Oper. Rev		9,343		0		0
Other Rev		<u>68,597</u>		<u>46,134</u>		<u>47,190</u>
Total Revenue		\$125,928		\$113,789		\$117,557
<u>Inpt Expenses</u>						
Operating	\$5,907.77	\$31,388	\$6,388.51	\$33,923	\$6,646.52	\$35,293
Capital	<u>176.92</u>	<u>940</u>	<u>\$1,293.60</u>	<u>6,869</u>	<u>\$1,345.57</u>	<u>7,145</u>
Inpt. Expenses	\$6,084.70	\$32,328	\$7,682.11	\$40,792	\$7,992.09	\$42,438
<u>Outpt Expenses</u>						
Operating	\$825.82	\$35,394	\$471.67	\$38,292	\$480.60	\$39,798
Capital	<u>24.73</u>	<u>1,060</u>	<u>95.40</u>	<u>7,745</u>	<u>97.31</u>	<u>8,058</u>
Outpt. Expenses	\$850.56	\$36,454	\$567.07	\$46,037	\$577.91	\$47,856
Total Expenses		\$68,782		\$86,829		\$90,294
Excess Rev over Exp.		<u>\$57,146</u>		<u>\$26,960</u>		<u>\$27,263</u>
Discharges		5,313		5,310		5,310
Visits		42,859		81,184		82,809

The following is noted with respect to the operating budget;

- The number of FTE's for aides/orderlies and attendants decrease as a result of the net decrease of 38 inpatient behavioral health beds. The addition of the 72 FTE's is needed to provide infection control, environment and food service support to the new site.
- Projected staffing levels incorporate expected volume and efficiencies gained by co-locating inpatient and outpatient behavioral health services in one building, the reduction of inpatient behavioral health beds from the current 153 beds to 115 beds, and the expansion of outpatient services through the creation of new outpatient programs (partial hospitalization, intensive outpatient programs, and crisis and respite services). In addition, the budget incorporated inflationary increases in annual expenses of between 2% or 3%.

- The increase in outpatient revenues on a per visit basis is the result of the change in the acuity mix of outpatients. The new outpatient programs being added (partial hospitalization program, intensive outpatient program, crisis and respite program) reimburse at a higher rate per visit than the current outpatient programs.
- Other revenues per discharge includes self-pay, resulting in a low revenue per discharge.

Utilization by payor source for inpatient and outpatient services is as follows:

<u>Inpatient</u>	<u>Current Year</u>	<u>Year One</u>	<u>Year Three</u>
Medicaid FFS	17.32%	15.99%	15.99%
Medicaid MC	56.07%	51.83%	51.83%
Medicare FFS	10.56%	10.83%	10.83%
Medicare MC	7.11%	7.31%	7.31%
Commercial MC	8.00%	13.22%	13.22%
Other	<u>0.94%</u>	<u>0.82%</u>	<u>0.82%</u>
Total	100.00%	100.00%	100.00%

<u>Outpatient</u>	<u>Current Year</u>	<u>Year One</u>	<u>Year Three</u>
Medicaid FFS	4.42%	4.42%	4.42%
Medicaid MC	53.00%	53.00%	53.00%
Medicare FFS	14.85%	14.85%	14.85%
Medicare MC	11.53%	11.53%	11.53%
Commercial MC	14.39%	14.39%	14.39%
Other	<u>1.81%</u>	<u>1.81%</u>	<u>1.81%</u>
Total	100.00%	100.00%	100.00%

#### Capability and Feasibility

Total project cost of \$140,677,876 will be funded via equity by Mount Sinai Hospital and Mount Sinai Beth Israel Hospital. BFA Attachments A and B are the 2018 certified financial statements and internal financial statements of Mount Sinai Hospital and Mount Sinai Beth Israel as of March 31, 2019, which indicate the availability of sufficient funds for the equity contribution.

The submitted budget indicates an excess of revenues over expenses of \$26,960,000 and \$27,263,000 during the first and third years, respectively. Revenues are based on current reimbursement methodologies for inpatient and outpatient services. The submitted budget appears reasonable.

As shown on BFA Attachment A, Mount Sinai Hospital had an average positive working capital position and an average positive net asset position for the 2017 and 2018 period. The entity achieved an average excess of revenues over expenses of \$207,244,000 for the same period. Also, the entity had a positive working capital position, a positive net asset position, and achieved an operating excess of revenues over expenses of \$110,231,000 through June 30, 2019.

As shown on BFA Attachment B, Mount Sinai Beth Israel had an average negative working capital position and an average positive net asset position in 2017 and 2018. The negative working capital position in 2017 and 2018 was due to the following: maintenance and repair costs to maintain an outdated physical plant and ongoing costs to maintain vacant square footage due to decreasing inpatient and outpatient utilization of services. Also, the entity incurred an average deficit of expenses over revenues of \$114,385,500 for the period 2017 and 2018. The losses from operations are mainly attributable to reduced patient volume, operational costs to maintain vacant space as a result of the reduced patient volume and operational costs needed to maintain an outdated physical plant on an ongoing basis. The entity had a positive working capital position and a positive net asset position through June 30, 2019. Also, the entity incurred a deficit of expenses over revenues of \$53,255,000 through June 30, 2019.

The applicant has demonstrated the capability to proceed in a financially feasible manner.



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## Attachments

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- BFA Attachment A 2017 and 2018 certified financial statements and June 30, 2019 internal financial statements of Mount Sinai Hospital
- BFA Attachment B 2017 and 2018 certified financial statements and June 30, 2019 internal financial statements of Mount Sinai Beth Israel.



**Project # 151185-C  
Wyckoff Heights Medical Center**

**Program: Hospital  
Purpose: Construction**

**County: Kings  
Acknowledged: April 24, 2015**

**Executive Summary**

**Description**

Wyckoff Heights Medical Center (Wyckoff), a 324-bed, voluntary not-for-profit, Article 28 acute care hospital located at 374 Stockholm Street, Brooklyn (Kings County), requests approval to certify Cardiac Catheterization – Percutaneous Intervention (PCI) service and convert its existing diagnostic laboratory into a PCI-capable laboratory. The PCI program will be operated under the Clinical Sponsorship model with oversight provided by Lenox Hill Hospital (LHH), whereby LHH will serve as the cardiac surgery backup facility to Wyckoff. LHH is a full-service cardiac surgery provider located at 100 East 77<sup>th</sup> Street, New York (New York County), and is a Northwell Health affiliate. Through this project, Wyckoff will work collaboratively with LHH to expand Wyckoff’s established quality and performance improvement program to include PCI services.

In a separate application (CON 191071-L), Wyckoff is relocating an existing Interventional Radiology (IR) laboratory to space directly adjacent to the existing diagnostic cardiac catheterization laboratory on the third floor of the hospital. The project is under construction and is expected to be completed by August 2019. The relocated IR laboratory is being constructed so that cardiac procedures could also be performed within the space. Consequently, it could serve as a second cardiac catheterization laboratory at Wyckoff, with approval.

The primary service area of Wyckoff includes the northern section of Kings County and the southern section of Queens, where cardiac health disparities exist and access to PCI

services is poor. Furthermore, there is a disparity in access to PCI procedures for residents of their service area who are part of a racial and/or ethnic minority group. This is important considering that racial/ethnic minority residents comprise approximately 80% of the service area (per 2017 U.S. Census Bureau population demographics). The applicant indicated that there were 108 patients in 2017 and 105 patients in 2018 that were seen in its emergency department with acute myocardial infarction (AMI) that were transferred to another area hospital for emergency PCI services. An additional 49 patients in 2017 and 21 patients in 2018 were seen in Wyckoff’s cardiology clinic who subsequently received an elective PCI at other area hospitals. Through August 2019 there were 100 such cases (75 AMI, 25 Clinic). Approval of this project will enhance access to PCI procedures for local underserved residents and improve cardiac health outcomes for the residents of Wyckoff service area.

**OPCHSM Recommendation  
Contingent Approval**

**Need Summary**

New York Title 10 Cardiac Services Regulation 709.14, effective September 25, 2019, requires facilities seeking to add percutaneous coronary intervention, PCI, services to project a minimum of 36 emergency PCI procedures in Year One of service. Emergency PCI (E-PCI) includes any procedure not scheduled and not elective. Twenty-four facilities in the New York Region currently provide PCI services. In 2018, 1,694 NY Region residents were treated outside of the

HSA for currently defined emergency PCI procedures. The four NY Region applicants on the Public Health and Health Planning Council February Agenda that seek certification of Cardiac Catheterization-Percutaneous Coronary Intervention services all project, at minimum, 36 emergency PCI procedures in Year One.

Program Summary

Based on the results of this review, a favorable recommendation can be made regarding the facility's current compliance pursuant to 2802-(3)(e) of the New York State Public Health Law

Financial Summary

There are no project costs associated with this application.

<u>Incremental Budget</u>	<u>First Year</u>	<u>Third Year</u>
Revenues	\$6,236,630	\$7,344,333
Expenses	<u>\$2,084,432</u>	<u>\$2,835,295</u>
Gain/(Loss)	\$4,152,198	\$4,509,038

## Recommendations

Health Systems Agency

There will be no HSA recommendation for this project.

Office of Primary Care and Health Systems Management

**Approval contingent upon:**

1. Submission of State Hospital Code (SHC) Drawings, acceptable to the Department, as described in BAEFP Drawing Submission Guidelines DSG-1.0. [AER]
2. The submission of Engineering (MEP) Drawings, per SHC guidelines, for review and approval, as described in BAER Drawing Submission Guidelines DSG-1.0. [AER]

**Approval conditional upon:**

1. The project must be completed within two years from the date of the Public Health and Health Planning Council recommendation letter. Failure to complete the project within the prescribed time shall constitute an abandonment of the application by the applicant and an expiration of the approval. [PMU]
2. The submission of Final Construction Documents, as described in BAER Drawing Submission Guidelines DSG-05, is required prior to the applicant's start of construction. [AER]

Council Action Date

**February 6, 2020**

## Need Analysis

### Background

New York Title 10 Cardiac Services Regulation 709.14, effective September 25, 2019, requires facilities seeking to add percutaneous coronary intervention, PCI, services to project a minimum of 36 emergency PCI procedures in Year One of service. Emergency PCI (E-PCI) includes any procedure not scheduled and not elective. Twenty-four facilities in the New York Region currently provide PCI services. In 2018, 1,694 NY Region residents were treated outside of the HSA for currently defined emergency PCI procedures. The four NY Region applicants on the Public Health and Health Planning Council February Agenda that seek certification of Cardiac Catheterization-Percutaneous Coronary Intervention services all project, at minimum, 36 emergency PCI procedures in Year One.

### Analysis

Please refer to **RNR Attachment A** for:

- The distribution of NY Region applicants with projected Year One and Year Three emergency PCIs (E-PCIs).
- The display of 2018 E-PCIs performed at existing NY Region facilities (as revised 9/25/19).
- The display of county-specific outmigration: Region residents receiving E-PCI treatment outside vs. inside their home region.

<b>Table 1: 2018 Emergency PCI's Migration of NY Region Residents: County-Specific Location of Treatment.</b>						
<b>Resident Out-Migration</b>	<b>Bronx</b>	<b>New York</b>	<b>Queens</b>	<b>Kings</b>	<b>Richmond</b>	<b>Total</b>
County Residents Treated All Locations	2,240	2,461	4,806	4,550	990	15,047
County Residents Receiving Emergency PCI Treatment in NYC	2,162	2,409	3,356	4,454	972	13,353
County Residents Leaving NYC for Emergency PCI Treatment	78	52	1,450	96	18	1,694

New York Region residents received 15,047 emergency PCI treatments in 2018. Of these, 13,353 procedures were performed within NYC and 1,694 were performed out of the region.

<b>Table 2: 2018 Emergency PCI's Performed on NY Region Residents: By County, By Operational NY Region Facilities</b>						
<b>Operational NY Region Facility</b>	<b>Bronx</b>	<b>New York</b>	<b>Queens</b>	<b>Kings</b>	<b>Richmond</b>	<b>Total</b>
Bronx Care Health System	164	6	2	2	0	174
Montefiore Med Center - Jack D Weiler	533	13	2	4	0	552
Montefiore Medical Center - Henry & Lucy Moses Div.	559	15	7	2	0	583
SBH Health System	109	2	2	1	0	114
Brookdale Hospital Medical Center	1	1	9	153	0	164
Brooklyn Hospital Center - Downtown Campus	1	2	5	82	0	90
Maimonides Medical Center	1	10	24	1,113	42	1,190
New York-Presbyterian Brooklyn Methodist Hospital	11	3	64	577	11	666
NYU Langone Hospital-Brooklyn	34	225	247	251	35	792
University Hospital of Brooklyn	0	1	6	336	1	344
Bellevue Hospital Center	98	72	60	65	1	296
Lenox Hill Hospital	110	341	384	333	13	1,181

<b>Table 2: 2018 Emergency PCI's Performed on NY Region Residents: By County, By Operational NY Region Facilities</b>						
<b>Operational NY Region Facility</b>	<b>Bronx</b>	<b>New York</b>	<b>Queens</b>	<b>Kings</b>	<b>Richmond</b>	<b>Total</b>
Mount Sinai Beth Israel	43	392	184	473	25	1,117
Mount Sinai Hospital	152	371	484	395	60	1,462
Mount Sinai St. Luke's	98	448	90	138	6	780
New York-Presbyterian Hospital - Columbia Presbyterian	193	275	44	74	16	602
New York-Presbyterian Hospital - New York Weill Cornell	39	210	85	110	16	460
NYU Langone Hospitals	4	0	8	246	11	269
Elmhurst Hospital Center	2	6	302	7	1	318
Jamaica Hospital Medical Center	2	2	252	27	0	283
Long Island Jewish Medical Center	3	1	465	17	1	487
New York-Presbyterian/Queens	5	11	630	26	2	674
Richmond University Medical Center	0	0	0	7	153	160
Staten Island University Hosp- North	0	2	0	15	578	595
<b>Total</b>	<b>2,162</b>	<b>2,409</b>	<b>3,356</b>	<b>4,454</b>	<b>972</b>	<b>13,353</b>

<b>Table 3: Applicant Facilities: Projected Emergency PCI's*</b>				
<b>Project</b>	<b>Facility</b>	<b>County</b>	<b>Projected Emergency PCIs</b>	
			<b>Year One</b>	<b>Year Three</b>
151185	Wyckoff Heights Medical Center	Kings	50	75
182006	Coney Island Hospital	Kings	148	170
192063	Jacobi Medical Center	Bronx	70	80
192093	Lenox Health Greenwich Village	New York	59	63

*\*Based on the transfer of Acute Myocardial Infarction with and without complications*

Wyckoff Heights Medical Center has projected 50 emergency and 350 total PCI procedures by Year One and 75 emergency and 413 total PCI procedures by Year Three of operation. By providing PCI-capable Cardiac Cath services, Wyckoff Heights Medical Center proposes to achieve the following goals:

- Reduce the “door-to-balloon” time for residents of the service area requiring PCI.
- Improve Mortality rates for PCI services.
- Reduce travel time and inconvenience.
- Reduce the number of patients requiring a second cardiac catheterization for PCI after undergoing the initial diagnostic cardiac catheterization.
- Enhance access to PCI services in the service area.

## Program Analysis

### Program Description

The proposed program will operate with clinical oversight from Lenox Hill Hospital (Lenox Hill) in accordance with the terms of an executed clinical sponsorship agreement. Lenox Hill is a member of Northwell Health Lenox Hill Hospital is a 632-bed hospital located at 100 East 77<sup>th</sup> Street in Manhattan (New York County) which is a full-service cardiac surgery provider.

Upon completion of the project, Wyckoff Heights Medical Center will have the following serviced added to their (operating certificate)

- Cardiac Catheterization - Percutaneous Coronary Intervention (PCI)

The Applicant has submitted a written plan that demonstrates their ability to comply with all of the standards for PCI Capable Cardiac Catheterization Laboratories and they have assured the Department that their program will meet all of the requirements of 405.29 and 709.14.

### Compliance with Applicable Codes, Rules and Regulations

This facility has no outstanding Article 28 surveillance or enforcement actions and, based on the most recent surveillance information, is deemed to be currently operating in substantial compliance with all applicable State and Federal codes, rules and regulations. This determination was made based on a review of the files of the Department of Health, including all pertinent records and reports regarding the facility's enforcement history and the results of routine Article 28 surveys as well as investigations of reported incidents and complaints.

### Prevention Agenda

Applicant is implementing numerous initiatives to support two local Prevention Agenda priorities (Promoting Healthy Women, Infants and Children, and Preventing Chronic Diseases). The proposed PCI certification advances the local 'Preventing Chronic Diseases' priority, especially the 'Chronic Disease Preventive Care and Management' focus area. The Medical Center participates in the Million Hearts Initiative and is testing a new payment model for Medicare FFS beneficiaries to improve CVD outcomes through more effective risk assessment and management. The applicant has also identified eight objectives for the other priority. Applicant documented all of the partnerships they have to address the non-medical determinants of health. Finally, 14 metrics from the Dashboard corresponding to both selected priorities were identified for ongoing tracking.

In 2017 the applicant spent \$11,000,264 on community health improvement services, representing 3.234% of total operating expenses.

### Conclusion

Based on the results of this review, a favorable recommendation can be made regarding the facility's current compliance pursuant to 2802-(3)(e) of the New York State Public Health Law.

## Financial Analysis

### Clinical Support and Oversight Agreement

The applicant has submitted a Clinical Support and Oversight Agreement for the cardiac catheterization laboratory. The terms are summarized below:

Date:	March 2016 with First Amendment dated August 12, 2019
Facility Operator:	Wyckoff Heights Medical Center
Service Provider:	Lenox Hill Hospital (LHH)
Services:	LHH shall be deemed members of and participate in Wyckoff's quality assurance committee and other reviews of the quality of cardiac care provided by Wyckoff and in the provision of recommendations for quality improvement of cardiac services. LHH will review information and data, including: statistical reports; quality improvement program, policies and procedures; care provided by and/or qualifications of medical, nursing, and other health care practitioners associated with the Cardiac Catheterization Laboratory; appropriateness and timeliness of patient referrals and of patients retained at the Cardiac Catheterization Laboratory who met criteria for transfer to LHH; and adverse events or occurrences including death and major complications. The parties will meet to review: all cardiac laboratory related morbidity and mortality; uncomplicated routine cases and patient selection; patient outcomes and quality; rates of referrals for subsequent diagnostic procedures; cardiac catheterization laboratory system failures; and review of patient selection criteria and appropriateness of treatment. The parties will establish a telemedicine link for LHH timely review of studies. LHH will help develop privileging criteria for physicians; consult on equipment, staffing, ancillary services and policies and procedures; provide on-going cross training; develop a pre-procedure risk stratification tool to ensure high risk/ complex case are treated at LHH. The parties will collaborate to provide interventional cardiology physician coverage on a 24-hour/365 days a year basis
Independence:	Each party shall continue its independent corporate existence. Each institution shall independently bill patients and/or third-party payors.
Term:	Open ended (no delineated term) but may be terminated upon mutual written agreement of the parties upon at least sixty (60) days written notice to NYSDOH. "The termination or expiration of the Agreement shall result in the closure of the Cardiac Catheterization Laboratory."
Fee:	None

### Operating Budget

The applicant has submitted an incremental operating budget, in 2020 dollars, for years one and three, as summarized below:

Inpatient Revenues	First Year		Third Year	
	Per Disch.	Total	Per Disch.	Total
Medicaid FFS	\$29,000	\$348,000	\$29,000	\$406,000
Medicaid MC	\$27,550	1,046,900	\$27,550	1,184,650
Medicare FFS	\$29,793	566,067	\$29,793	685,239
Medicare MC	\$28,303	424,550	\$28,303	481,157
Commercial FFS	\$30,000	90,000	\$30,000	120,000
Commercial MC	\$28,500	256,500	\$28,500	313,500
Private Pay	\$15,000	<u>30,000</u>	\$15,000	<u>60,000</u>
Subtotal Inpatient		\$2,762,017		\$3,250,546



<u>Outpatient Revenue</u>	<u>Per Visit</u>	<u>Total</u>	<u>Per Visit</u>	<u>Total</u>
Medicaid FFS	\$14,566	\$247,622	\$14,566	\$291,320
Medicaid MC	\$13,838	1,660,524	\$13,838	1,951,116
Medicare FFS	\$14,288	385,776	\$14,288	457,216
Medicare MC	\$13,574	380,061	\$13,574	447,929
Commercial FFS	\$15,000	330,000	\$15,000	390,000
Commercial MC	\$14,250	327,750	\$14,250	384,750
Private Pay	\$14,288	<u>142,880</u>	\$14,288	<u>171,456</u>
Subtotal Outpatient		\$3,474,613		\$4,093,787
Total Revenue		\$6,236,630		\$7,344,333
<u>Expenses</u>				
Operating	\$5,955	\$2,084,332	\$6,865	\$2,835,195
Capital	<u>\$0</u>	<u>100</u>	<u>\$0</u>	<u>100</u>
Total Expenses	\$5,955	\$2,084,432	\$6,865	\$2,835,295
Net Income		<u>\$4,152,198</u>		<u>\$4,509,038</u>
Discharges		100		118
Visits		<u>250</u>		<u>295</u>
Total Procedures		350		413

The following is noted with respect to the operating budget:

- Revenues are based on Wyckoff's experience in its existing diagnostic cardiac catheterization laboratory and anticipated reimbursement for PCI services. Rates are based on diagnosis-related groups reimbursement and related PCI current procedural terminology payments for outpatient services. Reimbursement for commercial insurers is based upon a percentage of Medicare, given Wyckoff's experience in providing diagnostic cardiac catheterization procedures.
- The projected operating expenses are based upon Wyckoff's experience in providing diagnostic cardiac catheterization services plus additional expenses associated with the delivery of PCI services (incremental staff, professional fees, supplies).
- Utilization by payor source is as follows:

<u>Payor</u>	<u>Year One</u>		<u>Year Three</u>	
	<u>Disch.</u>	<u>%</u>	<u>Disch.</u>	<u>%</u>
<u>Inpatient</u>				
Medicaid FFS	12	12.00%	14	11.86%
Medicaid MC	38	38.00%	43	36.44%
Medicare FFS	19	19.00%	23	19.50%
Medicare MC	15	15.00%	17	14.41%
Commercial FFS	3	3.00%	4	3.39%
Commercial MC	9	9.00%	11	9.32%
Private Pay	2	2.00%	4	3.39%
Charity	<u>2</u>	<u>2.00%</u>	<u>2</u>	<u>1.69%</u>
Total	100	100%	118	100%

<u>Payor</u>	<u>Year One</u>		<u>Year Three</u>	
	<u>Visits</u>	<u>%</u>	<u>Visits</u>	<u>%</u>
<u>Outpatient</u>				
Medicaid FFS	17	6.80%	20	6.78%
Medicaid MC	120	48.00%	141	47.80%
Medicare FFS	27	10.80%	32	10.85%
Medicare MC	28	11.20%	33	11.19%
Commercial FFS	22	8.80%	26	8.80%
Commercial MC	23	9.20%	27	9.15%
Private Pay	10	4.00%	12	4.07%
Charity	<u>3</u>	<u>1.20%</u>	<u>4</u>	<u>1.36%</u>
Total	250	100%	295	100%

### Capability and Feasibility

There are no project costs associated with this application. Working capital is estimated at \$472,549 based on two months of third year expenses. Funding will be managed within operating funds. Should supplement resources be required, available restricted funds will be utilized.

The submitted budget demonstrates net income of \$4,152,198 and \$4,509,038 in Year One and Year Three, respectively. The budget appears reasonable.

During 2017, Wyckoff executed a three-party Supervisory Agreement between New York State Department of Health (NYSDOH) and Northwell Healthcare, Inc. (Northwell) whereas Wyckoff sought assistance and guidance in identifying areas of operation and revenue cycle improvement. Wyckoff is a safety net hospital and has been receiving ongoing state support for operations under New York State's Vital Access Provider Assurance Program (VAPAP) and Value Based Payment Quality Improvement Program (VBP-QIP). During SFY 2016-17 Wyckoff received \$65M in state support (\$15M from VAPAP and \$50M from VBP-QIP). Funding during SFY 2017-18 was increased to \$70,000,000 from VBP-QIP and maintained at that level for SFYs 2018-19 and 2019-20.

BFA Attachments A and B are Wyckoff's 2017 and 2018 certified financial statements and their internal financial statements as of June 30, 2019, which show negative working capital and negative net assets. In 2017 and 2018 the excess of total revenue over expenses before other charges were \$15,376,000 and \$15,446,000, respectively. Through June 30, 2019 the facility had a net loss of \$487,700 which included \$35,000,000 grant from VBP-QIP.

### Conclusion

The applicant has demonstrated the capability to proceed in a financially feasible manner.

## Attachments

RNR Attachment A	Map
BFA Attachment A	Financial Statement Certified, Wyckoff Heights Medical Center 2017-2018 2020182018201820182015
BFA Attachment B	Financial Statement Internal, Wyckoff Heights Medical Center June 30, 2019



**Project # 182006-C  
Coney Island Hospital**

**Program:** Hospital  
**Purpose:** Construction

**County:** Kings  
**Acknowledged:** July 26, 2018

**Executive Summary**

**Description**

Coney Island Hospital (Coney Island, the Hospital), a 371-bed, public municipal, Article 28 acute care hospital located at 2601 Ocean Parkway, Brooklyn (Kings County), requests approval to certify Cardiac Catheterization – Percutaneous Coronary Intervention (PCI) services and install requisite equipment. The Hospital is a major health care provider for residents of South Brooklyn serving a population of approximately 900,000 people that includes the highest percentage of patients 65 years of age or older in New York City. The Hospital is certified for Cardiac Catheterization – Adult Diagnostic service and has operated a large cardiac program for many years. No renovations are needed to convert the diagnostic lab to a PCI-capable lab. Currently, there are no PCI centers in South Brooklyn and patients with acute myocardial infarction must be transported to centers north of the service area. The addition of PCI services to Coney Island’s Cardiac Program will allow patients in the Hospital’s service area to be cared for closer to home without the need to transfer to other facilities, thereby improving patient outcomes and quality of care.

Coney Island is operated by The New York City Health and Hospitals Corporation (NYC H+H), a public benefit corporation created by the NY State Legislature in 1969 that operates the largest municipal healthcare system in the United States. The Hospital has been a health care provider for South Brooklyn since 1875 and is one of 11 acute care hospitals operated by NYC H+H, which provides a total of 4,752 beds across New York City. Bellevue Hospital Center, also part of the NYC H+H System, will

serve as the full-service cardiac surgery backup facility to Coney Island. The two hospitals have a telemedicine link in place that enables off-site review of digital studies, and both facilities utilize the Epic Health IT system allowing the hospital to view each other’s patient medical records in real time. The purpose of this transaction is to create a coordinated and integrated system aimed at improving quality, increasing access to cardiac care and lowering health care costs in the communities serviced by Coney Island.

**OPCHSM Recommendation  
Contingent Approval**

**Need Summary**

New York Title 10 Cardiac Services Regulation 709.14, effective September 25, 2019, requires facilities seeking to add percutaneous coronary intervention, PCI, services to project a minimum of 36 emergency PCI procedures in year one of operation. Emergency PCI (E-PCI) includes any procedure not scheduled and not elective. Twenty-four facilities in the New York Region currently provide PCI services. In 2018, 1,694 NY Region residents were treated outside of the HSA for currently defined emergency PCI procedures. The four NY Region applicants on the Public Health and Health Planning Council- PHHPC February Agenda that seek certification of Cardiac Catheterization-Percutaneous Coronary Intervention services all project, at minimum, 36 emergency PCI procedures in Year One.

Program Summary

Based on the results of this review, a favorable recommendation can be made regarding the facility's current compliance pursuant to 2802-(3)(e) of the New York State Public Health Law.

Financial Summary

Total project cost is estimated at \$443,172 for equipment to be funded by equity of the NYC H+H.

<u>Budget</u>	<u>Year One</u>	<u>Year Three</u>
Revenues	\$8,115,493	\$9,241,215
Expenses	\$5,978,296	\$6,188,423
Gain/(Loss)	\$2,136,680	\$3,052,792

## Recommendations

Health Systems Agency

There will be no HSA recommendation for this project.

Office of Primary Care and Health Systems Management

**Approval contingent upon:**

1. Submission of a check, payable to the New York State Department of Health. Public Health Law Section 2802.7 states that all construction applications requiring review by the Public Health and Health Planning Council shall pay an additional fee of fifty-five hundredths of one percent of the total capital value of the project, exclusive of CON fees. A copy of the check must also be uploaded into NYSECON. [PMU]
2. Submission of a Pre-procedure Risk Stratification tool that ensures high risk patients are treated at the Cardiac Surgery Center. [HSP]
3. Submission of a fully executed Cardiac Surgery backup agreement. [HSP]
4. Submission of the name and curriculum vitae of the Medical Director of the PCI capable Cardiac Catheterization Laboratory, acceptable to the Department. [HSP]
5. Submission of a plan to assemble a team within 30 minutes of the STEMI activation. [HSP]

**Approval conditional upon:**

1. The project must be completed within one year from the date of the Public Health and Health Planning Council recommendation letter. Failure to complete the project within the prescribed time shall constitute an abandonment of the application by the applicant and an expiration of the approval. [PMU]

Council Action Date

**February 6, 2020**

# Need Analysis

## Background

New York Title 10 Cardiac Services Regulation 709.14, effective September 25, 2019, requires facilities seeking to add percutaneous coronary intervention, PCI, services to project a minimum of 36 emergency PCI procedures in year one of operation. Emergency PCI (E-PCI) includes any procedure not scheduled and not elective. Twenty-four facilities in the New York Region currently provide PCI services. In 2018, 1,694 NY Region residents were treated outside of the HSA for currently defined emergency PCI procedures. The four NY Region applicants on the Public Health and Health Planning Council- PHHPC February Agenda that seek certification of Cardiac Catheterization-Adult Diagnostic, Cardiac Catheterization-Electrophysiology and Cardiac Catheterization-Percutaneous Coronary Intervention services all project, at minimum, 36 emergency PCI procedures in Year One.

The shore front community was re-designated a Federal Health Professional Shortage area in 2012. Coney Island's service area also includes the highest percentage of patients 65 years of age or older in New York City.

## Analysis

Please refer to **RNR Attachment A** for:

- The distribution of NY Region applicants with projected Year One and Year Three E-PCIs.
- The display of 2018 E-PCIs performed at existing NY Region facilities.
- The display of county-specific outmigration: Region residents receiving E-PCI treatment outside vs. inside their home region.

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Montefiore Medical Center - Henry & Lucy Moses Div.	559	15	7	2	0	583
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New York-Presbyterian Brooklyn Methodist Hospital	11	3	64	577	11	666
NYU Langone Hospital-Brooklyn	34	225	247	251	35	792

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<b>Operational NY Region Facility</b>	<b>Bronx</b>	<b>New York</b>	<b>Queens</b>	<b>Kings</b>	<b>Richmond</b>	<b>Total</b>
University Hospital of Brooklyn	0	1	6	336	1	344
Bellevue Hospital Center	98	72	60	65	1	296
Lenox Hill Hospital	110	341	384	333	13	1,181
Mount Sinai Beth Israel	43	392	184	473	25	1,117
Mount Sinai Hospital	152	371	484	395	60	1,462
Mount Sinai St. Luke's	98	448	90	138	6	780
New York-Presbyterian Hospital - Columbia Presbyterian	193	275	44	74	16	602
New York-Presbyterian Hospital - New York Weill Cornell	39	210	85	110	16	460
NYU Langone Hospitals	4	0	8	246	11	269
Elmhurst Hospital Center	2	6	302	7	1	318
Jamaica Hospital Medical Center	2	2	252	27	0	283
Long Island Jewish Medical Center	3	1	465	17	1	487
New York-Presbyterian/Queens	5	11	630	26	2	674
Richmond University Medical Center	0	0	0	7	153	160
Staten Island University Hosp- North	0	2	0	15	578	595
<b>Total</b>	<b>2,162</b>	<b>2,409</b>	<b>3,356</b>	<b>4,454</b>	<b>972</b>	<b>13,353</b>

<b>Table 3: Applicant Facilities: Projected Emergency PCI's*</b>				
<b>Project</b>	<b>Facility</b>	<b>County</b>	<b>Projected Emergency PCIs</b>	
			<b>Year One</b>	<b>Year Three</b>
151185	Wyckoff Heights Medical Center	Kings	50	75
182006	Coney Island Hospital	Kings	148	170
192063	Jacobi Medical Center	Bronx	70	80
192093	Lenox Health Greenwich Village	New York	59	63

\*Based on the transfer of Acute Myocardial Infarction with and without complications

Coney Island Hospital has projected 148 emergency and 407 total PCI procedures by Year One and 170 emergency and 491 total PCI procedures by Year Three of operation. By providing PCI-capable Cardiac Catheterization services, Coney Island Hospital proposes to achieve the following goals:

- Decrease ambulance time to an Emergency PCI center for STEMI.
- Decrease time to arterial puncture for patients with STEMI in its catchment area.
- Improve mortality by reducing by decreasing door-to-balloon time.
- Decrease complications of acute thrombolysis for Acute MI.
- Assess patients hospitalized for NSTEMI or Unstable Angina without need for transfer.
- Provide this service to outpatients in the institution (Coney Island Hospital) in which they receive care.
- Decrease the number of patients who require a second cardiac catheterization for PCI after undergoing an initial diagnostic catheterization.
- Enhance access for cardiac services in the service area.

## Program Analysis

### Program Description

The proposed program will operate with clinical oversight and collaboration under the established, co-operated model whereby Bellevue Hospital Center would serve as the cardiac surgery back up facility. Both hospitals are operated by New York City Health and Hospitals by Bellevue Hospital Center is a 912-bed hospital located at 462 First Avenue in New York (New York County) and is a full-service cardiac provider.

Upon completion of the project, Coney Island will be approved to provide the following service:

- Cardiac Catheterization - Percutaneous Coronary Intervention (PCI)

The Applicant has submitted a written plan that demonstrates their ability to comply with all of the standards for PCI Capable Cardiac Catheterization Laboratories and they have assured the Department that their program will meet all of the requirements of 405.29 and 709.14.

### Compliance with Applicable Codes, Rules and Regulations

This facility has no outstanding Article 28 surveillance or enforcement actions and, based on the most recent surveillance information, is deemed to be currently operating in substantial compliance with all applicable State and Federal codes, rules and regulations. This determination was made based on a review of the files of the Department of Health, including all pertinent records and reports regarding the facility's enforcement history and the results of routine Article 28 surveys as well as investigations of reported incidents and complaints.

### Prevention Agenda

The applicant describes NYC Health + Hospitals / Coney Island DSRIP projects that the OneCity Health PPS is implementing that advance local *Prevention Agenda 2019-2014* goals:

- Diabetes Registry
- Diabetes Support group
- DSRIP – Improve cardiovascular disease management
- DSRIP- Care transitions
- Cardiovascular registry
- DSRIP - integration of palliative care into the PCMH model
- Cancer screenings (lung, breast and colon)
- Smoking cessation outreach program
- Smoking cessation program

Coney Island Hospital states that implementing these projects involves engaging community-based organizations, programs, and resources such as hospice and a local community college; however, it does not specify which ones.

The applicant cites indicators they are tracking to measure progress toward addressing local public health priorities, including:

Rates of diabetes patients with controlled blood sugar, blood pressure, and appropriate screening

Percentage of total population with hypertension whose blood pressure is well controlled

The number of participating patients receiving palliative care procedures

- Screening rates among indicated patients
- Program enrollment
- Service area smoking prevalence
- Population screening and follow-up rates

As a public hospital, Coney Island Hospital is not obligated to report community benefit spending.



Conclusion

Based on the results of this review, a favorable recommendation can be made regarding the facility's current compliance pursuant to 2802-(3)(e) of the New York State Public Health Law.

<b>Financial Analysis</b>
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Total Project Cost and Financing

Total project costs are \$443,172 for the acquisition of moveable equipment, detailed below:

Moveable Equipment	\$438,759
CON Application Fee	\$2,000
Additional Processing Fee	<u>\$2,413</u>
Total Project Cost	\$443,172

The applicant will provide equity to meet the total project cost.

Operating Budget

The applicant has submitted the incremental first and third year projected operating budget in 2019 dollars as summarized below:

	<u>Year One</u>		<u>Year Three</u>	
<u>Inpatient Revenues</u>	<u>Per Disch.</u>	<u>Total</u>	<u>Per Disch.</u>	<u>Total</u>
Commercial FFS	\$24,452	\$806,917	\$24,496	\$906,370
Medicare FFS	\$24,238	\$2,229,869	\$24,317	\$2,504,699
Medicare MC	\$21,217	\$806,235	\$21,562	\$905,603
Medicaid FFS	\$25,444	\$1,501,171	\$25,167	\$1,686,190
Medicaid MC	\$20,551	\$2,548,323	\$20,593	\$2,862,402
Private Pay	\$137	\$1,374	\$140	\$1,543
Other	\$36,173	<u>\$36,173</u>	\$20,316	<u>\$40,631</u>
Total Inpt Revenues		\$7,930,062		\$8,907,438
<u>Inpatient Expenses</u>	<u>Per Disch.</u>	<u>Total</u>	<u>Per Disch.</u>	<u>Total</u>
Operating	\$15,840	\$5,654,923	\$13,969	\$5,601,523
Capital	<u>106</u>	<u>37,942</u>	<u>95</u>	<u>37,942</u>
Total Inpt Expenses	\$15,946	\$5,692,865	\$14,064	\$5,639,465
Inpatient Excess Rev		<u>\$2,237,197</u>		<u>\$3,267,973</u>
Discharges		357		401
Cost Per Discharge		\$15,946		\$14,064
<u>Outpatient Revenues</u>	<u>Per Visit</u>	<u>Total</u>	<u>Per Visit</u>	<u>Total</u>
Commercial FFS	\$6,153	\$43,072	\$6,461	\$77,530
Medicare FFS	\$5,944	\$17,832	\$6,420	\$32,098
Medicare MC	\$7,087	\$21,262	\$6,379	\$38,271
Medicaid FFS	\$3,642	\$58,277	\$3,617	\$104,899
Medicaid MC	\$3,662	\$43,947	\$3,596	\$79,104
Private Pay	\$80	\$643	\$77	\$1,158
Other	\$398	<u>\$398</u>	\$717	<u>\$717</u>
Total Outpt Revenues		\$185,431		\$333,777

<u>Outpatient Expenses</u>	<u>Year One</u>		<u>Year Three</u>	
	<u>Per Visit</u>	<u>Total</u>	<u>Per Visit</u>	<u>Total</u>
Operating	\$5,719	\$285,948	\$6,100	\$548,958
Capital	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Outpt Expenses	\$5,719	\$285,948	\$6,100	\$548,958
Outpt Excess Rev		(\$100,517)		(\$215,181)
Total Excess Revenues		<u>\$2,136,680</u>		<u>\$3,052,792</u>
Visits		50		90
Cost Per Visit		\$5,719		\$3,709

Inpatient and Outpatient utilization by payor source for Years One and Three are summarized below:

<u>Inpatient</u>	<u>Year One</u>		<u>Year Three</u>	
	<u>Disch.</u>	<u>%</u>	<u>Disch.</u>	<u>%</u>
Commercial FFS	33	9.24%	37	9.23%
Medicare FFS	92	25.77%	103	25.69%
Medicare MC	38	10.64%	42	10.47%
Medicaid FFS	59	16.53%	67	16.71%
Medicaid MC	124	34.73%	139	34.66%
Private Pay	10	2.80%	11	2.74%
Other	<u>1</u>	<u>.29%</u>	<u>2</u>	<u>.50%</u>
Total	357	100%	401	100%

<u>Outpatient</u>	<u>Year One</u>		<u>Year Three</u>	
	<u>Visits</u>	<u>%</u>	<u>Visits</u>	<u>%</u>
Commercial FFS	7	14.00%	12	13.33%
Medicare FFS	3	6.00%	5	5.55%
Medicare MC	3	6.00%	5	5.55%
Medicaid FFS	16	30.00%	29	32.22%
Medicaid MC	12	24.00%	22	24.44%
Private Pay	8	16.00%	15	16.66%
Other	<u>1</u>	<u>4.00%</u>	<u>1</u>	<u>2.25%</u>
Total	50	100.00%	90	100.00%

Reimbursement rate assumptions are based on expected reimbursement of service costs from Medicare, Medicaid and commercial payors according to DRG Codes for PCI services and using the historical payor mix of the facility. The revenue and volume forecasts are conservatively estimated based on the number of cases in the facility's catchment area and the transferred cases that were sent to other institutions for possible PCI services. Expense projections are based on the hiring of required employees: three full time intervention cardiologists, two staff nurses, one cardiovascular technician, one clerical associate, one data manger, and one on-call MD, RN, and technician. The expense budget also includes the additional supplies, training, depreciation, and equipment costs.

#### Capability and Feasibility

The total project cost of \$443,172 will be met via equity of The New York City Health and Hospital Corporation. BFA Attachment A is the June 30, 2018 and 2017 Certified Financial Statements of New York City Health and Hospital Corporation, which indicates the availability of sufficient funds for the equity contribution.

The submitted budget projects net income of \$2,136,680 in Year One and \$3,052,792 on Year Three. Revenue and expense assumptions are based on NYC H+H's historical experience and the incremental revenue and cost of the PCI service. The budget appears reasonable.

As shown on BFA Attachment A, The New York City Health and Hospital Corporation had an average negative working capital position and an average negative net asset position for the period shown. The reason for the average negative net asset position and average negative working capital position are the historical losses the entity incurred. For the period shown, the entity incurred average operating losses of \$165,119,000 as it continued to adapt to increasing financial challenges placed on healthcare institutions in the NYC area including: Medicaid and Medicare reimbursement constraints impacting the needed to meet the rising costs of caring for low income New Yorkers, the ability of the City of New York to increase capital reimbursement, and shifting from a fee-for-service payment system to a managed care system inclusive of value-based payment structure. NYC H+H has responded to these challenges by continuing transformation initiatives begun in 2017 to redesign the public health system to build a sustainable organization with a balanced financial plan through fiscal year 2022. Overall, NYC H+H is supported by the City of New York, the State of New York, and the federal government through various funding vehicles, and losses are expected to be covered.

The applicant has taken steps to improve operations to reduce losses and continue its transformation effort into a more consolidated entity. NYC H+H realigned the delivery of care to three defined areas: acute care (hospitals), post-acute care (long term care facilities) and ambulatory care services. The realignment of service delivery was intended to enhance and improve efficiencies. This realignment in addition to new initiatives being enacted to create a balanced financial plan through fiscal year 2022 will further stabilize the health system, increase access, and lower the costs of health care in the communities served.

BFA Attachment B is the March 31, 2019 internal financial statements of New York City Health and Hospital Corporation. As shown, NYCHHC had a negative working capital position and a negative net asset position through March 31, 2019. Also, the NYCHHC had a net operating loss of \$493,572,000 through March 31, 2019.

#### Conclusion

The applicant has demonstrated the capability to proceed in a financially feasible manner.

## Attachments

RNR Attachment A	Map
BFA Attachment A	Financial Summary – June 2018 and 2017 Certified Financial Statements of New York City Health and Hospital Corporation
BFA Attachment B	Financial Summary – March 31, 2019 Internal Financial Statements of New York City Health and Hospital Corporation



**Project # 192063-C  
Jacobi Medical Center**

**Program: Hospital  
Purpose: Construction**

**County: Bronx  
Acknowledged: August 1, 2019**

**Executive Summary**

**Description**

Jacobi Medical Center (Jacobi, the Hospital), a 457-bed, public municipal, Article 28 acute care hospital located at 1400 Pelham Parkway, Bronx (Bronx County), requests approval to certify Cardiac Catheterization – Percutaneous Coronary Intervention (PCI) service. The Hospital is currently certified for Cardiac Catheterization – Adult Diagnostic and Cardiac Catheterization – Electrophysiology services and provides a broad spectrum of cardiology-related care. This project will help to round out the interventional cardiology services available at Jacobi and will ensure better access to all levels of cardiac services, including preventive, diagnostic, interventional and continuing care services. The proposed PCI lab will be operated under the established, co-operated parent model with Bellevue Hospital Center (Bellevue), located at 462 1st Avenue, New York (New York County), providing oversight of the program. Both hospitals will collaborate regarding cardiovascular services for residents of Jacobi’s service area, which includes Bronx County as well as southeastern Westchester County. Seth Sokol, M.D., an interventional cardiologist, will be Medical Director for the PCI service at Jacobi.

Jacobi will convert its existing diagnostic lab to a PCI-capable lab with no construction necessary. Additionally, the Hospital will use its endovascular suite as a second lab.

Jacobi is operated by The New York City Health and Hospitals Corporation (NYC H+H), a public benefit corporation created by the NY State Legislature in 1969 that operates the largest municipal healthcare system in the United

States. Jacobi is one of 11 acute care hospitals operated by NYC H+H, which provides a total of 4,752 beds across New York City. Bellevue, also part of the NYC H+H System, will serve as the full-service cardiac surgery backup facility to Jacobi. Implementation of this project represents a regional solution for the distribution of PCI programs in Bronx County with a focus on creating a coordinated and integrated system aimed at improving quality, increasing access to cardiac care, improving health outcomes and lowering health care costs in the communities serviced by Jacobi.

**OPCHSM Recommendation  
Approval**

**Need Summary**

New York Title 10 Cardiac Services Regulation 709.14, effective September 25, 2019, requires facilities seeking to add percutaneous coronary intervention, PCI, services to project a minimum of 36 emergency PCI procedures in year one of operation. Emergency PCI (E-PCI) includes any procedure not scheduled and not elective. Twenty-four facilities in the New York Region currently provide PCI services. In 2018, 1,694 NY Region residents were treated outside of the HSA for currently defined emergency PCI procedures. The four NY Region applicants on the Public Health and Health Planning Council February Agenda that seek certification of Cardiac Catheterization-Percutaneous Coronary Intervention services all project, at minimum, 36 emergency PCI procedures in Year One.

Program Summary

Based on the results of this review, a favorable recommendation can be made regarding the facility's current compliance pursuant to 2802-(3)(e) of the New York State Public Health Law.

Financial Summary

There are no project costs associated with this application.

<u>Incremental</u> <u>Budget</u>	<u>First Year</u>	<u>Third Year</u>
Revenues	\$5,166,310	\$6,724,688
Expenses	<u>3,601,840</u>	<u>3,721,674</u>
Gain/(Loss)	\$1,564,170	\$3,002,564

## Recommendations

Health Systems Agency

There will be no HSA recommendation for this project.

Office of Primary Care and Health Systems Management

**Approval conditional upon:**

1. The project must be completed within one year from the date of the Public Health and Health Planning Council recommendation letter. Failure to complete the project within the prescribed time shall constitute an abandonment of the application by the applicant and an expiration of the approval.  
[PMU]

Council Action Date

**February 6, 2020**

## Need Analysis

### Project Description

New York Title 10 Cardiac Services Regulation 709.14, effective September 25, 2019, requires facilities seeking to add percutaneous coronary intervention, PCI, services to project a minimum of 36 emergency PCI procedures in year one of operation. Emergency PCI (E-PCI) includes any procedure not scheduled and not elective. Twenty-four facilities in the New York Region currently provide PCI services. In 2018, 1,694 NY Region residents were treated outside of the HSA for currently defined emergency PCI procedures. The four NY Region applicants on the Public Health and Health Planning Council February Agenda that seek certification of Cardiac Catheterization- Percutaneous Coronary Intervention services all project, at minimum, 36 emergency PCI procedures in Year One.

### Analysis

Please refer to **RNR Attachment A** for:

- The distribution of NY Region applicants with projected Year One and Year Three emergency PCIs (E-PCIs).
- The display of 2018 E-PCIs performed at existing NY Region facilities.
- The display of county-specific outmigration: Region residents receiving E-PCI treatment outside vs. inside their home region.

<b>Table 1: 2018 Emergency PCI's Migration of NY Region Residents: County-Specific Location of Treatment.</b>						
<b>Resident Out-Migration</b>	<b>Bronx</b>	<b>New York</b>	<b>Queens</b>	<b>Kings</b>	<b>Richmond</b>	<b>Total</b>
County Residents Treated All Locations	2,240	2,461	4,806	4,550	990	15,047
County Residents Receiving Emergency PCI Treatment in NYC	2,162	2,409	3,356	4,454	972	13,353
County Residents Leaving NYC for Emergency PCI Treatment	78	52	1,450	96	18	1,694

New York Region residents received 15,047 emergency PCI treatments in 2018. Of these, 13,353 procedures were performed within NYC and 1,694 were performed out of the region.

<b>Table 2: 2018 Emergency PCI's Performed on NY Region Residents: By County, By Operational NY Region Facilities</b>						
<b>Operational NY Region Facility</b>	<b>Bronx</b>	<b>New York</b>	<b>Queens</b>	<b>Kings</b>	<b>Richmond</b>	<b>Total</b>
Bronx Care Health System	164	6	2	2	0	174
Montefiore Med Center - Jack D Weiler	533	13	2	4	0	552
Montefiore Medical Center - Henry & Lucy Moses Div.	559	15	7	2	0	583
SBH Health System	109	2	2	1	0	114
Brookdale Hospital Medical Center	1	1	9	153	0	164
Brooklyn Hospital Center - Downtown Campus	1	2	5	82	0	90
Maimonides Medical Center	1	10	24	1,113	42	1,190
New York-Presbyterian Brooklyn Methodist Hospital	11	3	64	577	11	666
NYU Langone Hospital-Brooklyn	34	225	247	251	35	792
University Hospital of Brooklyn	0	1	6	336	1	344
Bellevue Hospital Center	98	72	60	65	1	296
Lenox Hill Hospital	110	341	384	333	13	1,181

<b>Table 2: 2018 Emergency PCI's Performed on NY Region Residents: By County, By Operational NY Region Facilities</b>						
<b>Operational NY Region Facility</b>	<b>Bronx</b>	<b>New York</b>	<b>Queens</b>	<b>Kings</b>	<b>Richmond</b>	<b>Total</b>
Mount Sinai Beth Israel	43	392	184	473	25	1,117
Mount Sinai Hospital	152	371	484	395	60	1,462
Mount Sinai St. Luke's	98	448	90	138	6	780
New York-Presbyterian Hospital - Columbia Presbyterian	193	275	44	74	16	602
New York-Presbyterian Hospital - New York Weill Cornell	39	210	85	110	16	460
NYU Langone Hospitals	4	0	8	246	11	269
Elmhurst Hospital Center	2	6	302	7	1	318
Jamaica Hospital Medical Center	2	2	252	27	0	283
Long Island Jewish Medical Center	3	1	465	17	1	487
New York-Presbyterian/Queens	5	11	630	26	2	674
Richmond University Medical Center	0	0	0	7	153	160
Staten Island University Hosp- North	0	2	0	15	578	595
<b>Total</b>	<b>2,162</b>	<b>2,409</b>	<b>3,356</b>	<b>4,454</b>	<b>972</b>	<b>13,353</b>

<b>Table 3: Applicant Facilities: Projected Emergency PCI's*</b>				
<b>Project</b>	<b>Facility</b>	<b>County</b>	<b>Projected Emergency PCIs</b>	
			<b>Year One</b>	<b>Year Three</b>
151185	Wyckoff Heights Medical Center	Kings	50	75
182006	Coney Island Hospital	Kings	148	170
192063	Jacobi Medical Center	Bronx	70	80
192093	Lenox Health Greenwich Village	New York	59	63

\*Based on the transfer of Acute Myocardial Infarction with and without complications

Jacobi Medical Center has projected 70 emergency and 230 total PCI procedures in Year One and 80 emergency and 300 total PCI procedures in Year Three of operation

By providing PCI-capable Cardiac Catheterization services, Jacobi Medical Center proposes to achieve the following goals:

- Enhance access to elective PCI for the underserved population in the service area.
- Prevent delays in care for STEMI patients by decreasing door – to balloon time.
- Improve cardiac outcomes for the service area.
- Provide improved access for the service area for cardiac services.

## Program Analysis

### Project Proposal

proposed program will operate with the established co-operated parent model with Bellevue Hospital Center which is part of the same network, New York City Health + Hospital. Bellevue Hospital Center is a 912-bed facility located at 462 First Avenue In New York (New York County) that is a full-service cardiac surgery provider.

Staffing is expected to increase by 10.50 FTEs in the first year after completion and remain at 10.50 FTEs for the third year of operation.

Upon completion of the project, Jacobi Medical Center will be certified for the following certified service:

- Cardiac Catheterization - Percutaneous Coronary Intervention (PCI)



The Applicant has submitted a written plan that demonstrates their ability to comply with all of the standards for PCI Capable Cardiac Catheterization Laboratories and they have assured the Department that their program will meet all of the requirements of 405.29(e)(1-3) and 405.29(e)(5).

#### Compliance with Applicable Codes, Rules and Regulations

This facility has no outstanding Article 28 surveillance or enforcement actions and, based on the most recent surveillance information, is deemed to be currently operating in substantial compliance with all applicable State and Federal codes, rules and regulations. This determination was made based on a review of the files of the Department of Health, including all pertinent records and reports regarding the facility's enforcement history and the results of routine Article 28 surveys as well as investigations of reported incidents and complaints.

#### Prevention Agenda

The Jacobi Medical Center applicant states that this project advances the local Prevention Agenda priorities by ensuring enhanced access to PCI services. Jacobi Medical Center has multiple programs for addressing obesity promoting the Prevention Agenda Priority to Prevent Chronic Disease. Additional programs focused on tobacco cessation and treatment align with the prevention of chronic disease. Jacobi Medical Center has multiple evidenced-based strategies to address the Prevent Chronic Disease Prevention Agenda priority, most often deployed through integration with the general medical programs and primary care visits. As New York City Health & Hospitals facilities, the applicants collaborate closely with the New York City Department of Health and Mental Health to promote the Prevention Agenda Priorities.

The applicant provides examples of internal tracking to measure the performance and progress of their interventions, such as:

- Tracking smoking and tobacco use rates among its patient population;
- For hypertension prevention and treatment, percentage of patients with controlled hypertension;
- For diabetes prevention and treatment, percentage of patients being screened, beginning treatment and A1C improvement.

As a public hospital, Jacobi Medical Center is not obligated to report community benefit spending.

#### Conclusion

Based on the results of this review, a favorable recommendation can be made regarding the facility's current compliance pursuant to 2802-(3)(e) of the New York State Public Health Law.

## Financial Analysis

### Incremental Operating Budget

The applicant has submitted an incremental operating budget, in 2020 dollars, for the first and third years of operation, summarized below:

	<u>Year One</u>		<u>Year Three</u>	
<u>Inpatient Revenues</u>	<u>Per Disch.</u>	<u>Total</u>	<u>Per Disch.</u>	<u>Total</u>
Commercial FFS & MC	\$36,030	\$432,360	\$36,030	\$576,480
Medicare FFS	\$36,453	1,202,949	\$36,453	1,531,026
Medicare MC	\$37,546	1,389,202	\$37,546	1,764,662
Medicaid FFS	\$32,200	740,600	\$32,200	998,200
Medicaid MC	\$24,683	765,173	\$24,683	987,320
All Other	\$42,872	<u>42,872</u>	\$42,872	<u>85,744</u>
Total Inpt Revenue		\$4,573,156		\$5,943,432
 <u>Outpatient Revenues</u>	 <u>Per Visit</u>	 <u>Total</u>	 <u>Per Visit</u>	 <u>Total</u>
Commercial FFS & MC	\$4,730	\$42,570	\$4,730	\$52,030
Medicare FFS	\$10,426	218,946	\$10,426	291,928
Medicare MC	\$10,047	241,128	\$10,047	321,504
Medicaid FFS	\$2,990	47,840	\$2,990	59,800
Medicaid MC	\$1,882	37,640	\$1,882	50,814
All Other	\$4,730	<u>4,730</u>	\$4,730	<u>4,730</u>
Total Outpt Revenue		\$592,854		\$780,806
 Total Revenues		 \$5,166,010		 \$6,724,238
 <u>Inpatient Expenses</u>	 <u>Per Disch.</u>	 <u>Total</u>	 <u>Per Disch.</u>	 <u>Total</u>
Operating	\$23,489	\$3,241,566	\$18,608	\$3,349,417
Capital	<u>1</u>	<u>90</u>	<u>1</u>	<u>90</u>
Total Inpt Expense	\$23,490	\$3,241,656	\$18,609	\$3,349,507
 <u>Outpatient Expenses</u>	 <u>Per Visit</u>	 <u>Total</u>	 <u>Per Visit</u>	 <u>Total</u>
Operating	\$3,915	\$360,174	\$3,101	\$372,157
Capital	<u>0</u>	<u>10</u>	<u>0</u>	<u>10</u>
Total Outpt Expense	\$3,915	\$360,184	\$3,101	\$372,167
 Total Expenses		 \$3,601,840		 \$3,721,674
 Net Income		 <u>\$1,564,170</u>		 <u>\$3,002,564</u>
 <u>Utilization</u>				
Total Inpatient		138		180
Total Outpatient		<u>92</u>		<u>120</u>
Total Procedures		230		300
 Average Cost per Procedure		 \$15,660.17		 \$12,405.58

The following is noted with respect to the submitted incremental budget:

- Estimated reimbursement for PCI is based on inpatient DRG's 246-251 and outpatient procedure codes used for billing cardiac catheterization patients. A rate differential was applied to calculate the rates for all payers for all procedures, given the experience of Jacobi in providing diagnostic cardiac catheterization procedures.
- The incremental operating expenses and revenues for this project are based on the utilization projections for the proposed PCI-capable cardiac catheterization laboratory program and are based upon the experience of Bellevue in providing PCI services on its campus and the expected volumes from the three interventional cardiologists.

- The number and mix of staff were determined based on the experience of Bellevue in staffing for its existing PCI-capable cardiac catheterization laboratory program on campus.
- All Other revenues represent payors that are covered under Workers Compensation/No Fault, union arrangements and/or any special payment arrangements.
- Utilization by payor for inpatient and outpatient services is as follows:

<u>Inpatient</u>	<u>Year One</u>		<u>Year Three</u>	
	<u>Disch</u>	<u>%</u>	<u>Disch</u>	<u>%</u>
Commercial FFS & MC	12	8.7%	16	8.9%
Medicare FFS	33	23.9%	42	23.3%
Medicare MC	37	26.8%	47	26.1%
Medicaid FFS	23	16.7%	31	17.2%
Medicaid MC	31	22.5%	40	22.2%
Charity Care	1	0.7%	2	0.8%
All Other	1	0.7%	2	0.8%
<b>Total</b>	<b>138</b>	<b>100.0%</b>	<b>180</b>	<b>100.0%</b>

<u>Outpatient</u>	<u>Year One</u>		<u>Year Three</u>	
	<u>Visits</u>	<u>%</u>	<u>Visits</u>	<u>%</u>
Commercial FFS & MC	9	9.8%	11	9.2%
Medicare FFS	21	22.8%	28	23.3%
Medicare MC	24	26.1%	32	26.7%
Medicaid FFS	16	17.4%	20	16.7%
Medicaid MC	20	21.7%	27	22.5%
Charity Care	1	1.1%	1	0.8%
All Other	1	1.1%	1	0.8%
<b>Total</b>	<b>92</b>	<b>100.0%</b>	<b>120</b>	<b>100.0%</b>

#### Capability and Feasibility

There are no project costs associated with this application. The submitted budget indicates excess revenues over expenses of \$1,564,170 and \$3,002,564 in Years One and Three, respectively. The average cost per procedure for Years One and Three is \$15,660.17 and \$12,405.58, respectively. The budget appears reasonable.

BFA Attachment A, the 2017, 2018 and 2019 audited financial statements of the New York City Health and Hospitals Corporation, indicates that as of June 30, 2019, the entity maintained positive working capital, experienced a net deficit position of \$5,361,434 and an annual net operating loss of \$89,999,000. Beginning in FY 2017, H + H implemented a transformation program to eliminate its financial gaps. The plan has met its target each year since inception. The plan includes the following:

- revenue enhancements such as improved revenue cycle management;
- managed care contracting and coverage for eligible uninsured;
- reducing expenditures through right-sizing of staffing levels; and
- implementing significant improvements to its supply chain management.

Based on the preceding, the applicant has demonstrated the capability to proceed in a financially feasible manner.

## Attachments

RNR Attachment	Map
BFA Attachment A	New York City Health and Hospitals Corporation – 2017, 2018 and 2019 certified financial statements
BFA Attachment B	Listing of New York City Health + Hospitals



**Project # 192093-C  
Lenox Health Greenwich Village**

**Program: Hospital  
Purpose: Construction**

**County: New York  
Acknowledged: September 3, 2019**

**Executive Summary**

**Description**

Lenox Health Greenwich Village (LHGV), a two-bed division of Lenox Hill Hospital (LHH) located at 30 Seventh Avenue, New York, requests approval to certify Cardiac Catheterization – Percutaneous Coronary Intervention (PCI) and Electrophysiology (EP) services, transfer six medical/surgical beds from LHH, and perform requisite construction. Lenox Hill Hospital is a 632-bed, voluntary not-for-profit, Article 28 acute care hospital located at 100 East 77th Street, New York and a full-service cardiac surgery provider.

The cardiac suite and six-bed medical/surgical unit will be in approximately 13,030 square feet of vacant space on the 5th floor adjacent to the current imaging center. Existing shell space of approximately 10,070 square feet will be configured into the new cardiac suite with one catheterization lab and one hybrid OR and all required support spaces.

Northwell Healthcare, Inc. (HCI), whose sole corporate member is Northwell Health, Inc. (NHI), is the sole corporate member and co-operator of the entities within the Health System and is an integrated healthcare delivery network serving the residents of the greater New York Metropolitan Area. Northwell Healthcare, Inc. is the active parent and co-operator of LHH.

North Shore University Hospital, Long Island Jewish Medical Center (LIJ), LIJ Forest Hills, Plainview Hospital, Glen Cove Hospital, Southside Hospital, Staten Island University Hospital, Lenox Hill Hospital, Huntington Hospital and Northwell Health Stern Family Center for Rehabilitation are part of an Obligated

Group for financing purposes. HCI is the sole corporate member of each of the entities in the Obligated Group and is itself a member of the Obligated Group. HCI is an established Article 28 entity and Active Parent for the Obligated Group members. The established Active Parent relationship has two components. The first component relates to HCI's authority regarding the assets and liabilities of the members of the Obligated Group in order for them to carry out their financial obligations as part of the Obligated Group. The second component is authority for delegation by the entities in the Obligated Group of additional decision-making authority to HCI.

**OPCHSM Recommendation  
Contingent Approval**

**Need Summary**

New York Title 10 Cardiac Services Regulation 709.14, effective September 25, 2019, requires facilities seeking to add percutaneous coronary intervention (PCI) services to project a minimum of 36 emergency PCI procedures in year one of operation. Emergency PCI (E-PCI) includes any procedure not scheduled and not elective. Twenty-four facilities in the New York Region currently provide PCI services. In 2018, 1,694 NY Region residents were treated outside of the HSA for currently defined emergency PCI procedures. The four NY Region applicants on the Public Health and Health Planning Council February Agenda that seek certification of Cardiac Catheterization-Percutaneous Coronary Intervention services all project, at minimum, 36 emergency PCI procedures in Year One.

There will be no negative impact due to the transfer of the six Medical/Surgical beds from Lenox Hill to Lenox Hill Greenwich Village.

**Program Summary**

Based on the results of this review, a favorable recommendation can be made regarding the facility's current compliance pursuant to 2802-(3)(e) of the New York State Public Health Law.

**Financial Summary**

LHH will finance the total project costs of \$32,164,224 through accumulated funds of \$2,915,376 and \$26,238,381 DASNY tax-exempt bonds at 6.5% over a 30-year term. Shell space of \$3,010,467 was already financed through accumulated funds under CON 111531.

<u>Incremental</u>	<i>(in Thousands)</i>	
	<u>Year One</u>	<u>Year Three</u>
Revenues	\$8,162	\$14,737
Expenses	<u>17,677</u>	<u>19,641</u>
Net Income/(Loss)	(\$9,515)	(\$4,904)

<u>Enterprise</u>	<i>(in Thousands)</i>	
	<u>Year One</u>	<u>Year Three</u>
Revenues	\$1,434,760	\$1,441,335
Expenses	<u>1,365,763</u>	<u>1,367,728</u>
Net Income/(Loss)	\$68,997	\$73,607

## Recommendations

Health Systems Agency

There will be no HSA recommendation for this project.

Office of Primary Care and Health Systems Management

**Approval contingent upon:**

1. Submission of a check for the amount enumerated in the approval letter, payable to the New York State Department of Health. Public Health Law Section 2802.7 states that all construction applications requiring review by the Public Health and Health Planning Council shall pay an additional fee of fifty-five hundredths of one percent of the total capital value of the project, exclusive of CON fees. [PMU]
2. The submission of Design Development and State Hospital Code (SHC) Drawings, as described in BAER Drawing Submission Guidelines DSG-1.0 Required Schematic Design (SD) and Design Development (DD) Drawings, and 2.18 LSC Chapter 18 Healthcare Facilities Public Use, for review and approval. [DAS]

**Approval conditional upon:**

1. The project must be completed within two years from the date of the Public Health and Health Planning Council recommendation letter. Failure to complete the project within the prescribed time shall constitute an abandonment of the application by the applicant and an expiration of the approval. [PMU]
2. Construction must start on or before December 22, 2020 and construction must be completed by December 21, 2021, presuming the Department has issued a letter deeming all contingencies have been satisfied prior to commencement. In accordance with 10 NYCRR Section 710.10(a), if construction is not started on or before the start date this shall constitute abandonment of the approval. It is the responsibility of the applicant to request prior approval for any changes to the start and completion dates. [PMU]
3. The Policies & Procedures of the Cardiac Surgical Affiliate must be incorporated as the applicant's policies & procedures. [HSP]
4. Financing is conditioned upon the Department having the opportunity to review the final financing proposal in advance to ensure it meets approval standards. [BFA]
5. Submission of Final Construction Documents, as described in BAER Drawing Submission Guidelines DSG-05, is required prior to the applicant's start of construction. [AER]

Council Action Date

**February 6, 2020**

## Need Analysis

### Project Description

Lenox Health Greenwich Village is seeking approval to certify Cardiac Catheterization-Percutaneous Coronary Intervention services and Electrophysiology services, transfer six medical/surgical beds from Lenox Hill Hospital, and perform requisite construction.

New York Title 10 Cardiac Services Regulation 709.14, effective September 25, 2019, requires facilities seeking to add percutaneous coronary intervention (PCI) services to project a minimum of 36 emergency PCI procedures in year one of operation. Emergency PCI (E-PCI) includes any procedure not scheduled and not elective. Twenty-four facilities in the New York Region currently provide PCI services. In 2018, 1,694 NY Region residents were treated outside of the HSA for currently defined emergency PCI procedures. The four NY Region applicants on the Public Health and Health Planning Council February Agenda that seek certification of Cardiac Catheterization-Percutaneous Coronary Intervention services all project, at minimum, 36 emergency PCI procedures in Year One.

### Analysis

Please refer to **RNR Attachment A** for:

- The distribution of NY Region applicants with projected Year One and Year Three emergency PCIs (E-PCIs).
- The display of 2018 E-PCIs performed at existing NY Region facilities.
- The display of county-specific outmigration: Region residents receiving E-PCI treatment outside vs. inside their home region.

<b>Table 1: 2018 Emergency PCI's Migration of NY Region Residents: County-Specific Location of Treatment.</b>						
<b>Resident Out-Migration</b>	<b>Bronx</b>	<b>New York</b>	<b>Queens</b>	<b>Kings</b>	<b>Richmond</b>	<b>Total</b>
County Residents Treated All Locations	2,240	2,461	4,806	4,550	990	15,047
County Residents Receiving Emergency PCI Treatment in NYC	2,162	2,409	3,356	4,454	972	13,353
County Residents Leaving NYC for Emergency PCI Treatment	78	52	1,450	96	18	1,694

New York Region residents received 15,047 emergency PCI treatments in 2018. Of these, 13,353 procedures were performed within NYC and 1,694 were performed out of the region.

<b>Table 2: 2018 Emergency PCI's Performed on NY Region Residents: By County, By Operational NY Region Facilities</b>						
<b>Operational NY Region Facility</b>	<b>Bronx</b>	<b>New York</b>	<b>Queens</b>	<b>Kings</b>	<b>Richmond</b>	<b>Total</b>
Bronx Care Health System	164	6	2	2	0	174
Montefiore Med Center - Jack D Weiler	533	13	2	4	0	552
Montefiore Medical Center - Henry & Lucy Moses Div.	559	15	7	2	0	583
SBH Health System	109	2	2	1	0	114
Brookdale Hospital Medical Center	1	1	9	153	0	164
Brooklyn Hospital Center - Downtown Campus	1	2	5	82	0	90
Maimonides Medical Center	1	10	24	1,113	42	1,190
New York-Presbyterian Brooklyn Methodist Hospital	11	3	64	577	11	666
NYU Langone Hospital-Brooklyn	34	225	247	251	35	792

<b>Table 2: 2018 Emergency PCI's Performed on NY Region Residents: By County, By Operational NY Region Facilities</b>						
<b>Operational NY Region Facility</b>	<b>Bronx</b>	<b>New York</b>	<b>Queens</b>	<b>Kings</b>	<b>Richmond</b>	<b>Total</b>
University Hospital of Brooklyn	0	1	6	336	1	344
Bellevue Hospital Center	98	72	60	65	1	296
Lenox Hill Hospital	110	341	384	333	13	1,181
Mount Sinai Beth Israel	43	392	184	473	25	1,117
Mount Sinai Hospital	152	371	484	395	60	1,462
Mount Sinai St. Luke's	98	448	90	138	6	780
New York-Presbyterian Hospital - Columbia Presbyterian	193	275	44	74	16	602
New York-Presbyterian Hospital - New York Weill Cornell	39	210	85	110	16	460
NYU Langone Hospitals	4	0	8	246	11	269
Elmhurst Hospital Center	2	6	302	7	1	318
Jamaica Hospital Medical Center	2	2	252	27	0	283
Long Island Jewish Medical Center	3	1	465	17	1	487
New York-Presbyterian/Queens	5	11	630	26	2	674
Richmond University Medical Center	0	0	0	7	153	160
Staten Island University Hosp- North	0	2	0	15	578	595
<b>Total</b>	<b>2,162</b>	<b>2,409</b>	<b>3,356</b>	<b>4,454</b>	<b>972</b>	<b>13,353</b>

<b>Table 3: Applicant Facilities: Projected Emergency PCI's*</b>				
<b>Project</b>	<b>Facility</b>	<b>County</b>	<b>Projected Emergency PCIs</b>	
			<b>Year One</b>	<b>Year Three</b>
151185	Wyckoff Heights Medical Center	Kings	50	75
182006	Coney Island Hospital	Kings	148	170
192063	Jacobi Medical Center	Bronx	70	80
192093	Lenox Health Greenwich Village	New York	59	63

\*Based on the transfer of Acute Myocardial Infarction with and without complications

Lenox Health Greenwich Village projects 59 emergency and 165 total PCI procedures by Year One and 63 emergency and 218 total PCI procedures by Year Three of operation.

By providing PCI-capable Cardiac Catherization services, Lenox Health Greenwich Village anticipates achieving the following goals:

- Improve access to cardiac services in the service area.
- Enhance timely access to high quality emergency and elective cardiac services for residents in the service area.
- Improve continuum of care through the addition of 6 medical surgical beds.



## Bed Transfer

LHGV requests approval for an inter-divisional transfer of six medical/surgical beds from Lenox Hill Hospital to support the cardiac catheterization program.

<b>Lenox Hill Hospital</b>			
<b>Bed Type</b>	<b>Current</b>	<b>Change</b>	<b>Proposed</b>
AIDS	12		12
Coronary Care	27		27
Intensive Care	15		15
Maternity	33		33
Medical/Surgical	476	-6	470
Neonatal Continuing Care	10		10
Neonatal Intensive Care	10		10
Neonatal Intermediate Care	8		8
Pediatric	14		14
Psychiatric	27		27
Total	632	-6	626

<b>Lenox Hill Greenwich Village</b>			
<b>Bed Type</b>	<b>Current</b>	<b>Change</b>	<b>Proposed</b>
Medical / Surgical	2	6	8

Source: HFIS 2019

Lenox Hill Hospital's medical/surgical utilization was 45.8% for 2017 and 47.1% for 2018. There will be no negative impact on LHH due to the transfer of the six medical/surgical beds from to Lenox Hill Greenwich Village.

## Program Analysis

### Program Description

The proposed program will operate with clinical oversight from Lenox Hill Hospital in accordance with the terms of an executed clinical sponsorship agreement. Lenox Hill is a 632-bed facility located at 100 East 77<sup>th</sup> Street In New York (New York County) and is a full-service cardiac surgery provider.

After completion of the project, LHGV will be approved to provide the following services:

- Cardiac Catheterization – Percutaneous Coronary Intervention (PCI)
- Cardiac Catheterization – Electrophysiology (EP)

The Applicant has submitted a written plan that demonstrates their ability to comply with all of the standards for PCI Capable Cardiac Catheterization Laboratories and Cardiac Electrophysiology (EP) and they have assured the Department that their program will meet all of the requirements of 405.29(e)(1-3) and 405.29(e)(5).

Staffing is expected to increase by 72.5 FTEs in the first year after completion and by 72.7 FTEs the third year of operation.

### Compliance with Applicable Codes, Rules and Regulations

This facility has no outstanding Article 28 surveillance or enforcement actions and, based on the most recent surveillance information, is deemed to be currently operating in substantial compliance with all applicable State and Federal codes, rules and regulations. This determination was made based on a review of the files of the Department of Health, including all pertinent records and reports regarding the facility's enforcement history and the results of routine Article 28 surveys as well as investigations of reported incidents and complaints.

## Prevention Agenda

Lenox Hill Hospital states that the proposed project will further advance the *Prevent Chronic Diseases* priority area of the *Prevention Agenda 2019-2024* by improving timely access to high-quality treatment and management of cardiac disease within a clinical setting. Cardiac intervention services provided to patients in LHGV would fall within the wider continuum of high-quality cardiac care that all Northwell Health patients have access to within its network for providers. The applicant states that the proposed project will focus on reducing and preventing chronic disease in order to support the Prevention Agenda Goal 4.2 (*Increase early detection of cardiovascular disease, diabetes, prediabetes and obesity*). In keeping with the wider aim of minimizing and preventing chronic disease, Northwell Health specializes in early detection, treatment and prevention of heart disease, providing a full range of state-of-the-art preventive cardiology care designed to:

- Reduce the risk of heart disease, heart attack and stroke
- Reduce the need for cardiac surgery and intervention, and
- Provide comprehensive heart disease risk assessment and treatment options including nutritional assessment, lifestyle counseling and when necessary, medication or other interventions to improve health

The applicant provides an extensive list of interventions to address the New York State Prevention Agenda goal of *Preventing Chronic Disease*, including the focus areas of *Healthy Eating, Physical Activity, Chronic Disease Preventive Care and Management, and Tobacco Use Prevention, and also Prevent Mental Health and Substance Use Disorders and Maternal & Women's Health*. These initiatives also address the New York State Prevention Agenda overarching goal of improving health status and reducing health disparities.

Lenox Hill Hospital states that they have engaged local community partners in their Prevention Agenda initiatives. But they do not describe working with the NYCDOHMH in the community needs assessment or planning efforts. They cite indicators from the Prevention Agenda Dashboard that they are tracking to measure progress toward achieving local Prevention Agenda goals:

- Age-adjusted preventable hospitalization rate per 10,000 – Aged 18+ years
- Percentage of cigarette smoking among adults
- Premature deaths: Ratio of Hispanics to White non-Hispanics
- Preventable hospitalizations: Ratio of Black non-Hispanic to White non-Hispanic
- Preventable hospitalizations: Ratio of Hispanics to White non-Hispanics
- Rate of hospitalizations for short-term complications of diabetes per 10,000 – Aged 18+ years

In 2017 the applicant spent \$2,096,124 on community health improvement services, representing 0.172% of total operating expenses.

## Conclusion

Based on the results of this review, a favorable recommendation can be made regarding the facility's current compliance pursuant to 2802-(3)(e) of the New York State Public Health Law.

## Financial Analysis

### Total Project Costs

Total project costs for new construction and the acquisition of movable equipment is estimated at \$32,164,224, broken down as follows:

New Construction	\$19,094,000
Design Contingency	805,000
Construction Contingency	805,000
Planning Consultant Fees	322,000
Architect/Engineering Fees	1,288,000
Construction Manager Fees	495,000
Other Fees (Consultant)	805,000
Movable Equipment	6,005,000
Telecommunications	975,000
Financing Costs	1,392,299
Application Fee	2,000
Additional Processing Fee	<u>175,925</u>
Total Project Cost	\$32,164,224

Project costs are based on a construction start date of December 22, 2020, and a 12-month construction period. Shell space of \$3,010,467 was already financed through accumulated funds under CON 111531. The remainder will be initially funded with Northwell Health Obligated Group equity with the prospect that the project will be 90% financed as part of a future Northwell Health Obligated Group tax-exempt bond financing through the Dormitory Authority, as follows: LHH will finance \$2,915,376 through accumulated funds and \$26,238,381 DASNY tax-exempt bonds at 6.5% over a 30-year term. Financing is conditioned upon the Department having the opportunity to review the final financing proposal in advance to ensure it meets approval standards. A bank letter of interest from Citibank has been submitted by the applicant.

### Total Operating Budget

The applicant has submitted an incremental operating budget in 2020 dollars, summarized below:

	<u>Year One</u>		<u>Year Three</u>	
	<u>Per Disch</u>	<u>Total</u>	<u>Per Disch</u>	<u>Total</u>
<u>Inpatient Revenues</u>				
Commercial MC	\$35,571	\$3,272,529	\$37,990	\$4,178,874
Medicare FFS	\$14,759	1,047,871	\$15,380	1,338,086
Medicare MC	\$17,501	980,048	\$18,137	1,251,479
Medicaid FFS	\$12,908	232,337	\$14,128	296,684
Medicaid MC	\$12,131	776,361	\$12,710	991,379
Private Pay	\$9,216	<u>304,114</u>	\$9,472	<u>388,340</u>
Total Inpt Rev		\$6,613,260		\$8,444,842
<u>Outpatient Revenues</u>				
Commercial MC	<u>\$7,490</u>	<u>\$838,903</u>	<u>\$8,478</u>	<u>\$3,408,221</u>
Medicare FFS	\$3,952	284,552	\$4,429	1,156,053
Medicare MC	\$4,364	266,198	\$4,872	1,081,484
Medicaid FFS	\$788	1,576	\$915	6,404
Medicaid MC	\$2,250	135,025	\$2,540	548,567
Private Pay	\$4,510	<u>22,551</u>	\$4,581	<u>91,619</u>
Total Outpt Rev		\$1,548,805		\$6,292,348
Total Net Pt. Rev		\$8,162,065		\$14,737,190

### Expenses

	<u>Year One</u>		<u>Year Three</u>	
	<u>Per Disch</u>	<u>Total</u>	<u>Per Disch</u>	<u>Total</u>
Operating		\$13,976,481		\$15,987,492
Capital		<u>3,701,014</u>		<u>\$3,653,989</u>
Total Expenses		\$17,677,495		\$19,641,481
Net Income/(Loss)		<u>(\$9,515,430)</u>		<u>(\$4,904,291)</u>
Inpatient Disch.		334		406
Outpatient Visits		312		1,128
Average Cost per Procedure		\$27,365		\$12,804

Utilization for Year One and Year Three is as follows:

<u>Payor</u>	<u>Inpatient</u>		<u>Outpatient</u>	
	<u>First Year</u>	<u>Third Year</u>	<u>First Year</u>	<u>Third Year</u>
Commercial MC	27.50%	27.10%	35.90%	35.70%
Medicare FFS	21.21%	21.40%	23.10%	23.10%
Medicare MC	16.83%	17.00%	19.60%	19.70%
Medicaid FFS	5.40%	5.20%	0.60%	0.60%
Medicaid MC	19.20%	19.20%	19.20%	19.10%
Private Pay	9.90%	10.9%	1.60%	1.80%

Northwell Healthcare, Inc. has submitted an affidavit from the CFO stating that they are willing to absorb the net operational losses for Year One and Year Three. BFA attachment D shows sufficient funds. Expense and utilization assumptions are based on the historical experience of Lenox Hill Hospital.

#### Capability and Feasibility

Total project cost of \$32,164,224 will be funded through accumulated funds of \$2,915,376 and \$26,238,381 DASNY tax-exempt bonds at 6.5% over a 30-year term. Shell space of \$3,010,467 was already financed through accumulated funds under CON 111531. Presented as BFA Attachment A is the 2018 certified financial statements of Lenox Hill Hospital, which indicates the availability of sufficient resources for this project.

The hospital projects an excess of revenues over expenses of \$68,997,212 and \$73,608,351 in the first and third year, respectively. The budget appears reasonable.

As shown on BFA Attachment A, Northwell Health, Inc. has maintained positive working capital, positive net asset position, and a net operating income of \$134,395,000 during 2018. As shown on BFA Attachment B, the hospital has maintained positive working capital, positive net asset position, and a net operating income of \$77,182,000 during 2018. As shown on BFA Attachment C, Northwell Health, Inc. has maintained positive working capital, positive net asset position, and a net operating income of \$69,872,000 as of June 30, 2019. As shown on BFA Attachment D, the hospital has maintained positive working capital, positive net asset position, and a net operating income of \$28,930,000 as of June 30, 2019.

#### Conclusion

Subject to the noted condition, the applicant has demonstrated the capability to proceed in a financially feasible manner.

## Attachments

- RNR Attachment A Map
- BFA Attachment A 2018 Consolidating Certified Financial Statements of Northwell Health, Inc.
- BFA Attachment B 2018 Certified Financial Statements, Northwell Health Obligated Group and Lenox Hospital
- BFA Attachment C June 30, 2019 Consolidating Internal Financial Statements, Northwell Health, Inc.
- BFA Attachment D June 30, 2019 Internal Financial Statements, Northwell Health Obligated Group and Lenox Hospital
- BFA Attachment E Northwell Organization Chart



**Project # 172332-C  
Plainview Hospital**

**Program: Hospital  
Purpose: Construction**

**County: Nassau  
Acknowledged: December 4, 2017**

**Executive Summary**

**Description**

Plainview Hospital (Plainview), a 204-bed, voluntary not-for-profit, Article 28 acute care community hospital located at 888 Old County Road, Plainview (Nassau County), requests approval to certify Cardiac Catheterization – Percutaneous Coronary Intervention (PCI) and Cardiac Catheterization – Electrophysiology (EP) services, with requisite renovations to construct a cardiac catheterization suite. The proposed program will be operated with clinical oversight from North Shore University Hospital (NSUH) in accordance with the terms of an executed clinical service agreement. NSUH, a 756-bed, quaternary care hospital located at 300 Community Drive, Manhasset (Nassau County), is a full-service cardiac surgery center that provides PCI and cardiac surgery services. Both hospitals are members of Northwell Health, Inc., a not-for-profit corporation, and are co-operated by Northwell Healthcare, Inc., whose sole corporate member and passive parent is Northwell Health, Inc.

This proposed cardiac catheterization suite will include two catheterization lab procedure rooms (a PCI-capable room and a dual-purpose EP procedure room) and a seven-bay Prep/Recovery area with requisite support spaces. The project provides that an unused cardiac catheterization lab at Long Island Jewish Medical Center (LIJMC) will be “transferred” to Plainview and de-commissioned at LIJMC. LIJMC, which is also part of Northwell Health, Inc., and NSUH will redirect their existing cardiac intervention patient volume originating from Plainview’s service area to Plainview, alleviating the burgeoning capacity constraints at LIJMC and NSUH. Plainview will become the

regional destination for patients requiring PCIs allowing residents of the community to benefit from local access to cardiac intervention treatments provided by the experienced cardiac interventionists of Northwell Health.

OPCHSM Recommendation  
Contingent Approval

**Need Summary**

New York Title 10 Cardiac Services Regulation 709.14, effective September 25, 2019, requires facilities seeking to add percutaneous coronary intervention (PCI) services to project a minimum of 36 emergency PCI procedures in year one of operation. Emergency PCI (E-PCI) includes any procedure not scheduled and not elective. Twelve facilities in the Long Island Region currently provide PCI services. In 2018, 503 Long Island Region residents were treated outside of the HSA for currently defined emergency PCI procedures. The four Long Island Region applicants on the Public Health and Health Planning Council February 2020 Agenda that seek certification of Cardiac Catheterization-Percutaneous Coronary Intervention services all project, at minimum, 36 emergency PCI procedures in Year One.

**Program Summary**

Based on the results of this review, a favorable recommendation can be made regarding the facility’s current compliance pursuant to 2802-(3)(e) of the New York State Public Health Law.

### Financial Summary

Total project costs of \$17,506,164 will be funded with \$1,750,616 in equity with the balance due of the \$15,755,548 to be financed via tax-exempt bonds issued through the Dormitory Authority of the State of New York (DASNY). Citigroup has provided a letter of interest to underwrite the bond financing at 6.5% interest for a 30-year term.

<u>Incremental Budget</u>	<u>First Year</u>	<u>Third Year</u>
Revenues	\$8,410,300	\$9,461,500
Expenses	\$8,751,400	\$9,422,200
Net Income/(Loss)	(\$341,100)	\$39,300

## Recommendations

Health Systems Agency

There will be no HSA recommendation for this project.

Office of Primary Care and Health Systems Management

**Approval contingent upon:**

1. Submission of a check for the amount enumerated in the approval letter, payable to the New York State Department of Health. Public Health Law Section 2802.7 states that all construction applications requiring review by the Public Health and Health Planning Council shall pay an additional fee of fifty-five hundredths of one percent of the total capital value of the project, exclusive of CON fees. [PMU]
2. Submission of an executed loan commitment, acceptable to the Department of Health. [BFA]
3. The submission of Design Development and State Hospital Code (SHC) Drawings, as described in BAER Drawing Submission Guidelines DSG-1.0 Required Schematic Design (SD) and Design Development (DD) Drawings, and 2.18 LSC Chapter 18 Healthcare Facilities Public Use, for review and approval. [AER]

**Approval conditional upon:**

1. The project must be completed within two years from the date of the Public Health and Health Planning Council recommendation letter. Failure to complete the project within the prescribed time shall constitute an abandonment of the application by the applicant and an expiration of the approval. [PMU]
2. Construction must start on or before April 15, 2020 and construction must be completed by January 15, 2021, presuming the Department has issued a letter deeming all contingencies have been satisfied prior to commencement. It is the responsibility of the applicant to request prior approval for any changes to the start and completion dates. In accordance with 10 NYCRR Section 710.10(a), if construction is not started on or before the start date this shall constitute abandonment of the approval. [PMU]
3. The submission of Final Construction Documents, as described in BAER Drawing Submission Guidelines DSG-05, is required prior to the applicant's start of construction. [AER]

Council Action Date

**February 6, 2020**



# Need Analysis

## Background

New York Title 10 Cardiac Services Regulation 709.14, effective September 25, 2019, requires facilities seeking to add percutaneous coronary intervention (PCI) services to project a minimum of 36 emergency PCI procedures in year one of operation. Emergency PCI (E-PCI) includes any procedure not scheduled and not elective. Twelve facilities in the Long Island (LI) Region currently provide PCI services. In 2018, 503 Long Island Region residents were treated outside of the HSA for currently defined emergency PCI procedures. The four LI Region applicants on the Public Health and Health Planning Council February 2020 Agenda that seek certification of Cardiac Catheterization-Percutaneous Coronary Intervention services all project, at minimum, 36 emergency PCI procedures in Year One.

## Analysis

Please refer to **RNR Attachment B** for:

- The distribution of LI Region applicants with projected Year-One and Year-Three E-PCIs.
- The display of 2018 E-PCIs performed at existing LI Region facilities.
- The display of county-specific migration: LI Region residents receiving E-PCI treatment outside vs. inside their home region.

<b>Table 1: 2018 Emergency PCI's Migration of Long Island Region Residents: County-Specific Location of Treatment</b>			
<b>Resident Migration</b>	<b>Nassau</b>	<b>Suffolk</b>	<b>Total</b>
County Residents Treated All Locations	3,718	4,731	8,449
County Residents Receiving Emergency PCI Treatment on LI	3,372	4,574	7,946
County Residents Leaving LI for Emergency PCI Treatment	346	157	503

Long Island Region residents received 8,449 emergency PCI treatments in 2018. Of these, 7,946 procedures were performed within Long Island and 503 were performed out of the region.

<b>Table 2: 2018 Emergency PCI's Performed on Long Island Region Residents: By County, By Operational Long Island Region Facilities</b>			
<b>Operational Long Island Region Facility</b>	<b>Nassau</b>	<b>Suffolk</b>	<b>Total</b>
Mount Sinai South Nassau	424	9	433
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Southside Hospital	21	688	709
St Catherine of Siena Hospital	5	200	205
University Hospital	16	1,121	1,137
University Hospital - Stony Brook Southampton Hospital	1	59	60
<b>Total</b>	<b>3,372</b>	<b>4,574</b>	<b>7,946</b>

Table 3: Applicant Facilities: Projected Emergency PCI's				
Project	Facility	County	Projected Emergency PCIs	
			Year One	Year Three
172332	Plainview Hospital	Nassau	113	127
191306	St. Joseph Hospital	Nassau	36	36
191308	Mercy Medical Center	Nassau	36	36
182119	John T Mather Memorial Hospital	Suffolk	60	73

Plainview Hospital has projected 113 emergency and 365 total PCI procedures by Year One and 127 emergency and 411 total PCI procedures by Year Three of operation. By providing PCI-capable Cardiac Catheterization services, Plainview Hospital anticipates achieving the following goals:

- Ensure local access for an underserved service area.
- Reduce the time needed for transportation.
- Enhance timely delivery of high-quality emergency and elective cardiac services.

## Program Analysis

### Project Proposal

The proposed program will be coordinated (via an executed clinical sponsorship) with North Shore University Hospital (North Shore), a 738-bed acute care hospital located on 300 Community Drive, Manhasset (Nassau County), that offers a full-service cardiac surgery center and is also a member of Northwell Health. North Shore University Hospital will facilitate integration of expertise and resources for the cardiac catheterization laboratory located at Plainview Hospital and will provide clinical oversight and support, ongoing education and training, and quality oversight. Further, all existing policies and procedures currently in place at North Shore University Hospital will be incorporated into the operation of the lab at Plainview Hospital and patients who require surgery will be transferred to North Shore University Hospital.

After completion of the project, Plainview Hospital will be approved to provide the following services:

- Cardiac Catheterization – Percutaneous Coronary Intervention (PCI)
- Cardiac Catheterization – Electrophysiology (EP)

The Applicant has submitted a written plan that demonstrates their ability to comply with all of the standards for PCI Capable Cardiac Catheterization Laboratories and electrophysiology services and they have assured the Department that their program will meet all of the requirements of 405.29(e)(1), 405.29(e)(2) and 405.29(e)(5).

### Compliance with Applicable Codes, Rules and Regulations

This facility has no outstanding Article 28 surveillance or enforcement actions and, based on the most recent surveillance information, is deemed to be currently operating in substantial compliance with all applicable State and Federal codes, rules and regulations. This determination was made based on a review of the files of the Department of Health, including all pertinent records and reports regarding the facility's enforcement history and the results of routine Article 28 surveys as well as investigations of reported incidents and complaints.

## Prevention Agenda

Plainview Hospital states that the proposed project will advance the *Prevent Chronic Diseases* priority area of the *Prevention Agenda 2019-2024* by increasing access to high-quality chronic disease treatment, prevention, and management in both clinical and community settings with the use of evidence-based best practices. The applicant states that the proposed project will advance all four *Prevent Chronic Diseases* focus areas:

- Healthy Eating and Food Security
- Physical Activity
- Tobacco Prevention
- Preventive Care and Management

However, Plainview Hospital does not explain how healthy eating, food security, physical activity, or tobacco prevention in their community would be improved by a cardiac catheterization lab.

The applicant provides examples of interventions that Northwell Health is implementing to support Prevention Agenda goals, including:

- The Heart Healthy Living Program
- Women's Heart Health Program
- Go Red for Women
- National Diabetes Prevention Program
- Center for Tobacco Control

The applicant states that Northwell Health and Plainview Hospital engaged local community partners in their Prevention Agenda efforts, such as the Long Island Health Collaborative, the American Heart Association, and the Community Outreach and Health Education Council. Plainview Hospital cites indicators from the Prevention Agenda Dashboard that it tracks to measure progress toward achieving local Prevention Agenda goals, including:

- Percentage of adults who are obese
- Percentage of cigarette smoking among adults
- Age-adjusted heart attack hospitalization rate per 10,000
- Rate of hospitalizations for short-term complications of diabetes per 10,000 Aged 18+ years

In 2017 the applicant spent \$283,726 on community health improvement services, representing 0.128% of total operating expenses.

## Conclusion

Based on the results of this review, a favorable recommendation can be made regarding the facility's current compliance pursuant to 2802-(3)(e) of the New York State Public Health Law.

## Financial Analysis

### Clinical Services Agreement

The applicant has submitted an executed Clinical Services Agreement for Cardiac Surgery Center services and Cardiac Catheterization Laboratory services as follows:

Execution Date	October 1, 2019
Service Provider:	North Shore University Hospital (NSUH)
Facility Operator:	Plainview Hospital
Services rendered:	NSUH will provide back-up to laboratory patients who require Cardiac Surgery Center Services; quality improvement program; inclusion in Northwell's interventional database; training for personnel on the database; participate in a joint annual study on financial impact; involvement in research studies; inclusion in registries and database; quality assurance activities and coverage in labs for 365 days per year, 24 hours per day and ongoing education and training.
Term:	Five years with unlimited 1-year renewals each year thereafter.

Plainview became a member of Northwell Health in 1994. As Plainview and NSUH are both members of Northwell Health, Inc., there are no fees associated with the clinical services agreement.

### Total Project Cost and Financing

Total project cost for renovations and movable equipment, is estimated at \$17,506,164 broken down as follows:

Renovation & Demolition	\$6,844,754
Asbestos Abatement or Removal	\$160,000
Design Contingency	\$684,475
Construction Contingency	\$684,475
Planning Consultant Fees	\$112,670
Architect/Engineering Fees	\$350,000
Construction Manager Fees	\$312,250
Other Fees	\$241,500
Movable Equipment	\$6,777,000
Telecommunications	\$405,250
Financing Costs	\$836,044
Application Fee	\$2,000
Processing Fee	<u>\$95,746</u>
Total Project Cost	\$17,506,164

Project costs are based on a construction start date of April 15, 2020, and an eight-month construction period. The applicant's financing plan appears as follows:

Equity	\$1,750,616
DASNY Tax-Exempt Bonds	
(6.5% interest, 30-year term)	<u>\$15,755,548</u>
Total	\$17,506,164

Citigroup has provided a letter of interest to underwrite the DASNY tax-exempt bonds at 6.5% interest for a 30-year term in the amount not to exceed \$16,575,000.

Operating Budget

The applicant has submitted incremental operating budgets, in 2020 dollars, for the first and third years, as summarized below:

	<u>Year One</u>		<u>Year Three</u>	
<u>Inpatient Revenues</u>	<u>Per Discharge</u>	<u>Total</u>	<u>Per Discharge</u>	<u>Total</u>
Comm - MC	\$44,046	\$1,541,600	\$43,353	\$1,734,100
Medicare - FFS	\$20,529	\$2,607,200	\$20,512	\$2,933,200
Medicare - MC	\$19,043	\$761,700	\$19,477	\$857,000
Medicaid - FFS	\$24,600	\$123,000	\$23,067	\$138,400
Medicaid - MC	\$16,833	\$101,000	\$16,229	\$113,600
Private Pay	\$650	<u>\$2,600</u>	\$725	<u>\$2,900</u>
Total Inpatient Revenue		\$5,137,100		\$5,779,200
<u>Outpatient Revenues</u>	<u>Per Visit</u>	<u>Total</u>	<u>Per Visit</u>	<u>Total</u>
Comm - MC	\$16,480	\$1,384,300	\$16,567	\$1,557,300
Medicare - FFS	\$6,772	\$1,435,600	\$6,786	\$1,615,100
Medicare - MC	\$4,601	\$349,700	\$4,573	\$393,300
Medicaid - FFS	\$2,644	\$23,800	\$2,690	\$26,900
Medicaid - MC	\$3,769	\$60,300	\$3,767	\$67,800
Private Pay	\$2,167	<u>\$19,500</u>	\$2,190	<u>\$21,900</u>
Total Outpatient Revenue		\$3,273,200		\$3,682,300
Total Revenue		\$8,410,300		\$9,461,500
<u>Inpatient Expenses</u>	<u>Per Discharge</u>	<u>Total</u>	<u>Per Discharge</u>	<u>Total</u>
Operating	\$17,199.54	\$3,732,300	\$17,015.16	\$4,151,700
Capital	<u>\$6,997.70</u>	<u>\$1,518,500</u>	<u>\$6,154.10</u>	<u>\$1,501,600</u>
Total Inpatient Expense	\$24,197.24	\$5,250,800	\$23,169.26	\$5,653,300
<u>Outpatient Expenses</u>	<u>Per Visit</u>	<u>Total</u>	<u>Per Visit</u>	<u>Total</u>
Operating	\$6,128.57	\$2,488,200	\$6,056.46	\$2,767,800
Capital	<u>\$2,493.60</u>	<u>\$1,012,400</u>	<u>\$2,190.59</u>	<u>\$1,001,100</u>
Total Outpatient Expense	\$8,622.17	\$3,500,600	\$8,247.05	\$3,768,900
Total Expense		\$8,751,400		\$9,422,200
Net Income/(Loss)		<u>(\$341,100)</u>		<u>\$39,300</u>
Total Discharges		217		244
Total Visits		406		456
Total Procedures		623		700
Avg Cost Per Proc.		\$14,047		\$13,460

Projected inpatient and outpatient utilization by payor source, for the first and third years, is as follows:

	<u>Year One</u>		<u>Year Three</u>	
<u>Inpatient</u>	<u>Disch.</u>	<u>%</u>	<u>Disch.</u>	<u>%</u>
Comm MC	35	16.13%	40	16.39%
Medicare FFS	127	58.53%	143	58.61%
Medicare MC	40	18.43%	44	18.03%
Medicaid FFS	5	2.30%	6	2.46%
Medicaid MC	6	2.76%	7	2.87%
Private Pay	<u>4</u>	<u>1.85%</u>	<u>4</u>	<u>1.64%</u>
Total	217	100.0%	244	100.0%

<u>Outpatient</u>	<u>Year One</u>		<u>Year Three</u>	
	<u>Visits</u>	<u>%</u>	<u>Visits</u>	<u>%</u>
Comm MC	84	20.69%	95	20.79%
Medicare FFS	212	52.22%	238	52.08%
Medicare MC	76	18.72%	86	18.82%
Medicaid FFS	9	2.22%	10	2.19%
Medicaid MC	16	3.93%	18	3.93%
Private Pay	<u>9</u>	<u>2.22%</u>	<u>10</u>	<u>2.19%</u>
Total	406	100.0%	457	100.0%

The following is noted with respect to the submitted incremental budget:

- Revenue, expense and utilization assumptions are based on the experience of existing cardiac catheterization lab programs within the System.
- In particular, the applicant looked at the experience of developing the cardiac program at other Northwell hospitals and adjusted for the projected volume and patient utilization at Plainview.
- The expense assumptions are based upon the DRG detail carryable Direct cost. Once the variable direct costs are calculated, overhead costs are developed using the experience of the hospital staff.
- Depreciation and interest expense are based on estimated capital costs, are added to calculate the total cost.

#### Capability and Feasibility

Total project costs of \$17,506,164 will be funded with \$1,750,616 equity and DASNY tax-exempt bond funding in the amount not to exceed \$16,575,000 (\$15,755,548 required for this project). Citigroup has provided a letter of interest to underwrite the bond financing at 6.5% interest for a 30- year term. BFA Attachment A is the certified financial statements of Northwell Health, Inc. for 2017-2018 and their internal financial statements as of June 30, 2019, which indicates the availability of sufficient resources for this project.

The submitted budget represents the incremental budget related to the proposed PCI capable cardiac catheterization and EP suite. The budget projects a net loss for the cardiac services for the first year of \$341,100 and a net income for the third year of \$39,300. Revenues are based on prevailing payment methodologies and current payment rates. The loss in the first year will be covered by the operations of Northwell Health, Inc. The budget is reasonable.

The certified and internal financial statements of Northwell Health, Inc. (BFA Attachment A) indicate the availability of sufficient resources to meet equity requirements and maintain the current project. As shown, Northwell Health Inc. has maintained positive working capital and net asset positions for all periods and had an average net income of \$158,569,500 for 2017-2018, and \$393,014,000 for the period ending June 30, 2019.

#### Conclusion

The applicant has demonstrated the capability to proceed in a financially feasible manner.

## Attachments

- RNR Attachment B Map
- BFA Attachment A Northwell Health Inc. 2017-2018 certified and 2019 internal financial statements as of June 30, 2019
- BFA Attachment B Northwell Health Inc. Organizational Chart



**Project # 191306-C  
St. Joseph Hospital**

**Program:** Hospital  
**Purpose:** Construction

**County:** Nassau  
**Acknowledged:** June 17, 2019

**Executive Summary**

**Description**

St. Joseph Hospital (SJH), a 203-bed, voluntary not-for-profit, Article 28 acute care hospital located at 4295 Hempstead Turnpike, Bethpage (Nassau County), requests approval to certify Cardiac Catheterization - Percutaneous Coronary Intervention (PCI) services with requisite renovations and equipment acquisition to accommodate one catheterization laboratory. The total square footage of this project is 1,800 sq. ft.

The quality oversight of procedures performed in the new laboratory will be through collaboration with St. Francis Hospital. St. Francis Hospital will serve as the full-service back-up hospital for cardiac surgery. Upon Public Health and Health Planning Council approval, the program will be known as St. Francis Cardiovascular at St. Joseph Hospital. The cardiovascular services will be developed with the commitment of St. Francis and its clinical leadership team. Both hospitals will collaborate to expand St. Joseph's quality and performance improvement program.

Catholic Health Services of Long Island (CHSLI) is the active parent and co-operator of St. Joseph Hospital. CHSLI is an integrated health care delivery system that includes six acute care hospitals, three skilled nursing facilities, a regional home health agency, a hospice program, as well as a community-based agency for persons with special needs. There are currently no PCI providers located within the primary service area of SJH. As a result, patients are sent to more distant hospitals causing delays in care. Implementation of this project will result in enhanced access to cardiac catheterization/PCI procedures and improved

cardiac health outcomes for residents of SJH's service area

The system-wide approach to cardiac care will offer the following benefits to patients in the region:

- **Accessibility** - The applicant will ensure that the services provided through the PCI-capable cardiac catheterization program are sensitive to the needs of the population.
- **Accountability and Program Comprehensiveness** - The goal is to ensure consistency in program leadership, standards and protocols, and to develop the Quality Assurance program. The cardiovascular service will be integrated into CHSLI's comprehensive system-wide strategy that will include increased support for non-invasive cardiology expertise, cardiac specific training, patient education, and community outreach.
- **Coordination and Continuity of Cardiac Care** - SJH patient medical records are made available to other CHS hospitals and employed physician offices through the EPIC system. For providers without access to the EPIC system, SJH will ensure that medical records are properly coordinated for follow up care to the referring physicians.
- **Utilization Monitoring** – the hospital will develop a comprehensive utilization review program to ensure adequate treatment space and staffing is provided for safe and effective services, as well as assessment of patients served by the program, particularly those whose needs changed during treatment.

OPCHSM Recommendation  
Contingent Approval

Need Summary

New York Title 10 Cardiac Services Regulation 709.14, effective September 25, 2019, requires facilities seeking to add percutaneous coronary intervention (PCI) services to project a minimum of 36 emergency PCI procedures in year one of operation. Emergency PCI (E-PCI) includes any procedure not scheduled and not elective. Twelve facilities in the Long Island Region currently provide PCI services. In 2018, 503 Long Island Region residents were treated outside of the HSA for currently defined emergency PCI procedures. The four Long Island Region applicants on the Public Health and Health Planning Council February 2020 Agenda that seek certification of Cardiac Catheterization-Percutaneous Coronary Intervention services all project, at minimum, 36 emergency PCI procedures in Year One.

Program Summary

Based on the results of this review, a favorable recommendation can be made regarding the facility's current compliance pursuant to 2802-(3)(e) of the New York State Public Health Law.

Financial Summary

Project costs of \$3,699,224 will be paid with accumulated funds from CHSLI. The introduction of the new PCI service will help to reduce SJH's deficit.

<u>Budget</u>	<u>Incremental (in 000's)</u>	
	<u>Year One</u>	<u>Year Three</u>
Revenues	\$9,799	\$10,289
Expenses	\$4,785	\$4,979
Gain/(Loss)	\$5,014	\$5,310

<u>Budget</u>	<u>Enterprise (in 000's)</u>		
	<u>Current Year</u>	<u>Year One</u>	<u>Year Three</u>
Revenues	\$118,139	\$127,938	\$128,428
Expenses	\$129,715	\$134,500	\$134,694
Gain/(Loss)	(\$11,576)	(\$6,562)	(\$6,266)



## Recommendations

Health Systems Agency

There will be no HSA recommendation for this project.

Office of Primary Care and Health Systems Management

**Approval contingent upon:**

1. Submission of a check for the amount enumerated in the approval letter, payable to the New York State Department of Health. Public Health Law Section 2802.7 states that all construction applications requiring review by the Public Health and Health Planning Council shall pay an additional fee of fifty-five hundredths of one percent of the total capital value of the project, exclusive of CON fees. [PMU]
2. Submission of State Hospital Code (SHC) Drawings, acceptable to the Department, as described in BAEFP Drawing Submission Guidelines DSG-1.0. [AER]

**Approval conditional upon:**

1. The project must be completed within two years from the date of the Public Health and Health Planning Council recommendation letter. Failure to complete the project within the prescribed time shall constitute an abandonment of the application by the applicant and an expiration of the approval. [PMU]
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3. The submission of Final Construction Documents, as described in BAER Drawing Submission Guidelines DSG-05, is required prior to the applicant's start of construction. [AER]

Council Action Date

**February 6, 2020**

# Need Analysis

## Background

New York Title 10 Cardiac Services Regulation 709.14, effective September 25, 2019, requires facilities seeking to add percutaneous coronary intervention (PCI) services to project a minimum of 36 emergency PCI procedures in year one of operation. Emergency PCI (E-PCI) includes any procedure not scheduled and not elective. Twelve facilities in the Long Island (LI) Region currently provide PCI services. In 2018, 503 Long Island Region residents were treated outside of the HSA for currently defined emergency PCI procedures. The four Long Island Region applicants on the Public Health and Health Planning Council February 2020 Agenda that seek certification of Cardiac Catheterization-Percutaneous Coronary Intervention services all project, at minimum, 36 emergency PCI procedures in Year One.

## Analysis

Please refer to **RNR Attachment B** for:

- The distribution of LI Region applicants with projected Year-One and Year-Three emergency PCIs (E-PCIs).
- The display of 2018 E-PCIs performed at existing LI Region facilities (per the 9/25/19 definition).
- The display of county-specific migration: LI Region residents receiving E-PCI treatment outside vs. inside their home region.

<b>Table 1: 2018 Emergency PCI's Migration of Long Island Region Residents: County-Specific Location of Treatment</b>			
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Project	Facility	County	Projected Emergency PCIs	
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191306	St. Joseph Hospital	Nassau	36	36
191308	Mercy Medical Center	Nassau	36	36
182119	John T Mather Memorial Hospital	Suffolk	60	73

St. Joseph's Hospital has projected 36 emergency and 171 total PCI procedures by Year One and 36 emergency and 185 total PCI procedures by Year Three of operation. By providing PCI-capable Cardiac Catheterization services, St. Joseph's Hospital anticipates achieving the following goals:

- Direct and Enhanced 24/7 patient access to cardiac diagnostic catheterization without the need to transfer patients.
- Management of Clinical Sponsor St. Francis' existing patients closer to home.
- Opportunity to improve cardiac outcomes with a new enhanced platform.
- Expansion of the St. Francis Hospital cardiovascular services.

## Program Analysis

### Project Proposal

St. Joseph's will enter into a Clinical Sponsorship with St. Francis Hospital, a 364-bed acute care hospital in Roslyn (Nassau County) that offers a full-service cardiac surgery program and is also a member of CHSLI. The new catheterization laboratory will be staffed and overseen by physicians and staff employed by St. Joseph. The facilities are on the same electronic medical record (EMR) platform, allowing access to clinical information all CHS facilities. Furthermore, upon discharge, patient care will continue to be coordinated with care outside the hospital along with specific patient instructions for follow up care which patients are referred. St. Joseph will ensure that additional social and health education needs of the patient will be coordinated by the hospital and promoted in coordination with provided programs. The applicant believes that the proposal represents a regional solution for the provision of adult catheterization and PCI services that will ensure increased accessibility to all levels of cardiac services within the local community.

Upon completion of the project, St. Joseph's Hospital will be approved to provide the following service:

- Cardiac Catheterization - Percutaneous Coronary Intervention (PCI)

The Applicant has submitted a written plan that demonstrates their ability to comply with all the standards for PCI Capable Cardiac Catheterization Laboratories and they have assured the Department that their program will meet all of the requirements of 405.29.

### Compliance with Applicable Codes, Rules and Regulations

This facility has no outstanding Article 28 surveillance or enforcement actions and, based on the most recent surveillance information, is deemed to be currently operating in substantial compliance with all applicable State and Federal codes, rules and regulations. This determination was made based on a review of the files of the Department of Health, including all pertinent records and reports regarding the facility's enforcement history and the results of routine Article 28 surveys as well as investigations of reported incidents and complaints.

## Prevention Agenda

St. Joseph Hospital states that the proposed project will advance the Prevent Chronic Diseases priority area of the Prevention Agenda 2019-2024 by increasing access to high-quality chronic disease treatment, prevention, and management in both clinical and community settings with the use of evidence-based best practices. The applicant states that the proposed project will focus on reducing and preventing chronic disease in order to support the Prevention Agenda Goal 4.2 (*Increase early detection of cardiovascular disease, diabetes, prediabetes and obesity*).

The applicant does not state any interventions that they are implementing to support local Prevention Agenda goals, although, it does mention that it is seeking to implement programs. St. Joseph Hospital states that they have engaged local community partners in their Prevention Agenda efforts. They cite indicators from the Prevention Agenda Dashboard that they are tracking to measure progress toward achieving local Prevention Agenda goals:

- Age-adjusted preventable hospitalizations
- Preventable hospitalizations: Ratio of Black non-Hispanic to White non-Hispanic
- Percentage of adults with health insurance
- Age-adjusted percentage of adults who have a regular health care provider

In 2017 the applicant spent \$185,853 on community health improvement services, representing 0.147% of total operating expenses.

## Conclusion

Based on the results of this review, a favorable recommendation can be made regarding the facility's current compliance pursuant to 2802-(3)(e) of the New York State Public Health Law.

# Financial Analysis

## Total Project Cost and Financing

Total project cost for renovations and the acquisition of moveable equipment is estimated at \$3,699,224 broken down as follows:

Renovation & Demolition	\$1,425,000
Design Contingency	72,000
Construction Contingency	144,000
Planning and Consulting Fees	15,000
Architect/Engineering Fees	146,000
Construction Manager Fees	50,000
Movable Equipment	1,775,000
Telecommunications	50,000
CON Application Fees	2,000
Additional Processing Fee	<u>20,224</u>
Total Project Cost	\$3,699,224

Project costs are based on a construction start date of May 1, 2020, and a seven-month construction period. Total project cost of \$3,699,224 will be financed using accumulated funds.

BFA Attachment A shows sufficient accumulated funds for this project. SJH's 2019 budget is supported by equity transfers of \$16 million from CHSLI to support the operating and capital needs of the hospital. CHSLI will cover working capital needs for the project from system operations. Additionally, CHSLI will absorb any operational losses associated with the program. BFA Attachment B shows sufficient equity regarding CHSLI support.

## Operating Budget

The applicant has submitted an incremental operating budget, in 2020 dollars, for the first and third years, summarized below:

Inpatient Revenues	Year One		Year Three	
	Per Disch.	Total	Per Disch.	Total
Commercial MC	\$19,803	\$316,842	\$19,802	\$316,842
Medicare FFS	\$19,615	1,765,368	\$19,615	1,883,059
Medicare MC	\$19,690	787,606	\$19,615	823,838
Medicaid FFS	\$20,365	81,460	\$20,365	81,460
Medicaid MC	\$20,044	140,305	\$20,044	140,305
Bad Debt		<u>(89,656)</u>		<u>(94,120)</u>
Total Inpatient Revenue		\$3,001,925		\$3,151,384
Outpatient Revenues	Per Visit	Total	Per Visit	Total
Commercial MC	\$12,481	\$2,558,535	\$12,489	\$2,660,189
Medicare FFS	\$12,415	1,986,390	\$12,436	2,101,662
Medicare MC	\$12,400	942,368	\$12,415	993,195
Medicaid FFS	\$12,189	134,081	\$11,9578	143,485
Medicaid MC	\$12,492	974,386	\$12,503	1,025,213
Private Pay	\$12,340	111,058	\$12,189	134,081
All Other	\$12,507	300,179	\$12,507	\$300,179
Bad Debt		<u>(\$210,210)</u>		<u>(\$220,740)</u>
Total Outpatient Revenue		\$6,796,787		\$7,137,264
Total Revenues		\$9,798,712		\$10,288,648
Expenses				
Operating	\$6,140.84	\$4,421,406	\$6,104.86	\$4,615,274
Capital	<u>505.56</u>	<u>364,000</u>	<u>481.48</u>	<u>364,000</u>
Total Expenses	\$6,646.40	\$4,785,406	\$6,586.34	\$4,979,274
Excess of Rev over Exp		<u>\$5,013,306</u>		<u>\$5,309,374</u>
Utilization				
Inpatient		157		165
Outpatient		<u>563</u>		<u>591</u>
Total		720		756
Average Cost per Procedure		\$6,646.40		\$6,586.34

The following is noted for the first- and third-year budgets:

- All Other includes Workers Compensation and No Fault.
- SJH's 2019 Budget is supported by equity transfers of \$16 million from CHSLI to support the operating and capital needs of the hospital.
- The number and mix of staff were determined based on the experience of St. Francis Hospital's existing cardiac catheterization services and the historical performance and transfers between St. Joseph and St. Francis.
- The rates are based on the blended DRG rate and case mix for all payors from Mercy Medical Center. The blended DRG rate is calculated by taking the sum of the collections for 2018 for each service and dividing it by the number of cases. The reimbursement rates at Mercy Medical Center are typically in-line with the rates St. Joseph Hospital receives and St. Joseph Hospital has taken a cautious approach to their reimbursement level for forecasting purposes.

- Projected utilization for this project is based on the historical utilization of St. Francis Hospital, and business planning conducted by CHSLI. Utilization by payor source for inpatient and outpatient services for Years One and Three is as follows:

<u>Inpatient</u>	<u>Year One</u>	<u>Year Three</u>
Commercial MC	10.19%	9.70%
Medicare FFS	57.32%	58.18%
Medicare MC	25.48%	25.45%
Medicaid FFS	2.55%	2.42%
Medicaid MC	4.46%	4.24%
Total	100.00%	100.00%

<u>Outpatient</u>		
Commercial MC	36.41%	36.04%
Medicare FFS	28.42%	28.60%
Medicare MC	13.50%	13.54%
Medicaid FFS	1.95%	2.03%
Medicaid MC	13.85%	13.87%
Private-Pay	1.60%	1.86%
All Other	4.26%	4.06%
Total	100.00%	100.00%

#### Capability and Feasibility

Project costs of \$3,699,224 will be met with accumulated funds from CHSLI. The applicant will utilize existing cash equity and will fund working capital requirements through ongoing operations of CHSLI. BFA Attachment A is a financial summary for Catholic Health Services of Long Island, which indicates the availability of sufficient funds.

The submitted incremental budget indicates an excess of revenues over expenses of \$5,013,306 and \$5,309,374 during the first and third years of operation, respectively. Revenues reflect a blended rate for all payors based on 2018 revenue reimbursement from Mercy Medical Center, a member of CHSLI. The budget appears reasonable.

As shown on BFA Attachment A, as of December 31, 2018, CHSLI, has maintained positive working capital and net asset positions, operating income of \$81,737,000. As shown on BFA Attachment B, as of October 31, 2019, CHSLI maintained positive working capital, positive net asset positions, and shows operating income of \$7,197,000.

BFA Attachment C, for period ended December 31, 2018, shows St. Joseph Hospital reported negative working capital, positive net assets, and an operating loss of \$11,576,000. The loss is covered by Catholic Health Services via below-the-line transfer of funds so as not to inflate income of SJH and make it look profitable as a standalone entity. In 2018 CHSLI transferred \$15,623,000 to SJH to offset the operating loss.

As shown on BFA Attachment D, as of October 31, 2019, SJH reported negative working capital, negative net assets and a net operating loss of \$9,772,000 offset by \$5,775,000 transfer of funds from CHSLI. SJH projects losses in 2019 and 2020 to decrease to \$8,463,000 and \$7,447,000, respectively, from 2018. The following management actions intend to improve the Hospital's net operating income:

- SJH projects 400 additional discharges in 2020 due to an addition of five new hospitalist physicians joining the medical staff of the hospital.
- SJH experienced a better payor mix in the Infusion Center throughout 2019 as well as an increase in Chemotherapy treatments. Both trends are expected to continue in 2020.
- The conversion to EPIC Revenue Cycle in June of 2019 led to improvements in cash collections.

CHSLI will fund any loss through the ongoing operations of the system.

Based on the preceding, the applicant has demonstrated the capability to proceed in a financially feasible manner.

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## Attachments

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RNR Attachment B	Map
BFA Attachment A	Catholic Health Services of Long Island - 2018 Certified Financial Statements
BFA Attachment B	Catholic Health Services of Long Island - October 31, 2019 Internal Financial Statements
BFA Attachment C	St. Joseph Hospital – 2018 Certified Financial Statements
BFA Attachment D	St. Joseph Hospital – October 31, 2019 Internal Financial Statements
BFA Attachment E	List of CHSLI Hospitals



**Project # 191308-C  
Mercy Medical Center**

**Program: Hospital  
Purpose: Construction**

**County: Nassau  
Acknowledged: June 17, 2019**

**Executive Summary**

**Description**

Mercy Medical Center (MMC), a 375-bed, voluntary not-for-profit, Article 28 acute care hospital located at 1000 North Village Avenue, Rockville Centre (Nassau County), requests approval to certify Cardiac Catheterization – Percutaneous Coronary Intervention (PCI) services in addition to its existing Adult Diagnostic Cardiac Catheterization and Electrophysiology laboratory. MMC will use their existing labs with no need for renovations.

MMC is one of six acute care hospitals co-operated by Catholic Health Services of Long Island (CHSLI). CHSLI is an integrated health care delivery system which includes six hospitals, three skilled nursing facilities, a regional home health agency, a hospice program and a multiservice, community-based agency for persons with special needs.

St. Francis Hospital, located at 100 Port Washington Boulevard, Roslyn (Nassau County), will serve as the full-service back-up hospital for cardiac surgery. St. Francis Hospital is also co-operated by CHSLI. MMC will collaborate with St. Francis Hospital to expand their quality and performance improvement program to include PCI services.

OPCHSM Recommendation  
Contingent Approval

**Need Summary**

New York Title 10 Cardiac Services Regulation 709.14, effective September 25, 2019, requires facilities seeking to add percutaneous coronary intervention, PCI, services to project a minimum of 36 emergency PCI procedures in Year One of operation. Emergency PCI (E-PCI) includes any procedure not scheduled and not elective. Twelve facilities in the Long Island Region currently provide PCI services. In 2018, 503 Long Island Region residents were treated outside of the HSA for currently defined emergency PCI procedures. The four Long Island Region applicants on the Public Health and Health Planning Council February 2020 Agenda that seek certification of Cardiac Catheterization-Percutaneous Coronary Intervention services all project, at minimum, 36 emergency PCI procedures in Year One.

**Program Summary**

Based on the results of this review, a favorable recommendation can be made regarding the facility's current compliance pursuant to 2802-(3)(e) of the New York State Public Health Law

**Financial Summary**

There are no project costs associated with this application.

<u>Incremental Budget</u>	<u>Years One &amp; Three</u>
Revenues	\$5,841,024
Expenses	\$2,331,200
Gain/(Loss)	\$3,509,824



## Recommendations

Health Systems Agency

There will be no HSA recommendation for this project.

Office of Primary Care and Health Systems Management

**Approval contingent upon:**

1. Submission of a pre-procedure risk stratification policy to ensure that high risk and/or complex patients are treated at a Cardiac Surgery Center, acceptable to the Department. [HSP]
2. Submission of a fully executed clinical sponsorship agreement, acceptable to the Department. [HSP]

**Approval conditional upon:**

1. The project must be completed within one year from the date of the Public Health and Health Planning Council recommendation letter. Failure to complete the project within the prescribed time shall constitute an abandonment of the application by the applicant and an expiration of the approval. [PMU]

Council Action Date

**February 6, 2020**

# Need Analysis

## Background

New York Title 10 Cardiac Services Regulation 709.14, effective September 25, 2019, requires facilities seeking to add percutaneous coronary intervention, PCI, services to project a minimum of 36 emergency PCI procedures in year one of operation. Emergency PCI (E-PCI) includes any procedure not scheduled and not elective. Twelve facilities in the Long Island (LI) Region currently provide PCI services. In 2018, 503 Long Island Region residents were treated outside of the HSA for currently defined emergency PCI procedures. The four Long Island Region applicants on the Public Health and Health Planning Council February 2020 Agenda that seek certification of Cardiac Catheterization- Percutaneous Coronary Intervention services all project, at minimum, 36 emergency PCI procedures in Year One.

## Analysis

Please refer to **RNR Attachment B** for:

- The distribution of LI Region applicants with projected Year-One and Year-Three emergency PCIs (E-PCIs).
- The display of 2018 E-PCIs performed at existing LI Region facilities.
- The display of county-specific migration: LI Region residents receiving E-PCI treatment outside vs. inside their home region.

**Table 1: 2018 Emergency PCI's Migration of Long Island Region Residents: County-Specific Location of Treatment**

Resident Migration	Nassau	Suffolk	Total
County Residents Treated All Locations	3,718	4,731	8,449
County Residents Receiving Emergency PCI Treatment on LI	3,372	4,574	7,946
County Residents Leaving LI for Emergency PCI Treatment	346	157	503

Long Island Region residents received 8,449 emergency PCI treatments in 2018. Of these, 7,946 procedures were performed within Long Island and 503 were performed out of the region.

**Table 2: 2018 Emergency PCI's Performed on Long Island Region Residents: By County, By Operational Long Island Region Facilities**

Operational Long Island Region Facility	Nassau	Suffolk	Total
Mount Sinai South Nassau	424	9	433
North Shore University Hospital	985	177	1,162
NYU Winthrop Hospital	673	245	918
St Francis Hospital	1,162	418	1,580
Good Samaritan Hospital Medical Center	57	735	792
Huntington Hospital	26	435	461
Long Island Community Hospital	1	359	360
Peconic Bay Medical Center	1	128	129
Southside Hospital	21	688	709
St Catherine of Siena Hospital	5	200	205
University Hospital	16	1,121	1,137
University Hospital - Stony Brook Southampton Hospital	1	59	60
<b>Total</b>	<b>3,372</b>	<b>4,574</b>	<b>7,946</b>

Table 3: Applicant Facilities: Projected Emergency PCI's				
Project	Facility	County	Projected Emergency PCIs	
			Year One	Year Three
172332	Plainview Hospital	Nassau	113	127
191306	St. Joseph Hospital	Nassau	36	36
191308	Mercy Medical Center	Nassau	36	36
182119	John T Mather Memorial Hospital	Suffolk	60	73

Mercy Medical Center has projected 36 Emergency and 185 total PCI procedures for both Year One and Year Three of operation. By providing PCI-capable Cardiac Catheterization services Mercy Medical Center anticipates achieving the following goals:

- Direct and Enhanced 24/7 access to cardiac diagnostic catheterization without the need to transfer patients.
- Manage St. Francis existing patients closer to home.
- Opportunity to improve cardiac outcomes with a new enhanced platform.
- Expansion of the St. Francis Hospital cardiovascular services

## Program Analysis

### Program Description

The proposed program will operate with clinical oversight and collaboration under the established, co-operated model whereby St. Francis Hospital will provide strict oversight of the program. Catholic Health Services of Long Island is the active parent over both facilities. St. Francis Hospital is a 364-bed hospital located at 100 Port Washington Boulevard in Roslyn (Nassau County) and is a full-service cardiac provider.

Upon completion of the project, Mercy Medical Center will be approved to provide the following service:

- Cardiac Catheterization - Percutaneous Coronary Intervention (PCI)

The Applicant has submitted a written plan that demonstrates their ability to comply with all of the standards for PCI Capable Cardiac Catheterization Laboratories and they have assured the Department that their program will meet all of the requirements of 405.29 and 709.14.

### Compliance with Applicable Codes, Rules and Regulations

This facility has no outstanding Article 28 surveillance or enforcement actions and, based on the most recent surveillance information, is deemed to be currently operating in substantial compliance with all applicable State and Federal codes, rules and regulations. This determination was made based on a review of the files of the Department of Health, including all pertinent records and reports regarding the facility's enforcement history and the results of routine Article 28 surveys as well as investigations of reported incidents and complaints.

### Prevention Agenda

The applicant states that the intent of the project promotes and advances the local Prevention Agenda, with a priority focus on Goal 4.2 reducing/prevention of chronic diseases by increasing early detection of cardiovascular disease, diabetes, prediabetes and obesity.

In alignment with the Prevention Agenda coalition in the catchment area, Mercy Medical Center is focused on *Preventing Chronic Disease* and *Promoting Well-being and Preventing Mental and Substance Use Disorder*. The applicant provides strategies and intervention to: reduce obesity in adults through community-based awareness initiatives such as Healthy Sunday events that provide free blood pressure and cholesterol screenings, and educational materials on obesity and diabetes; and increase awareness of mental health/substance use disorder resources and referrals to community-based programs and resources. The applicant is encouraged to use evidence-based or best-practice approaches to improve community health to support the Prevention Agenda priorities

Mercy Medical Center is a member of the Long Island Health Collaborative which involves extensive community partners including both health departments on Long Island. The applicant was engaged in the community-wide community needs assessment and development of the Community Health Improvement Plan.

The applicant tracks multiple process measures developed for each priority, such as:

- Obesity – Track the number of attendees at weight loss information sessions and measure knowledge pre-and post-event;
- Preventive Care and Management – Track and increase the number of Health Sunday's community outreach events held in underserved community churches.

In 2017 the applicant spent \$1,071,101 on community health improvement services, representing 0.459% of total operating expenses.

#### Conclusion

Based on the results of this review, a favorable recommendation can be made regarding the facility's current compliance pursuant to 2802-(3)(e) of the New York State Public Health Law.

## Financial Analysis

#### Incremental Operating Budget

The projected budgets, in 2020 dollars, are as follows:

#### Summary

	Incremental	Enterprise		
	Years One & Three		Current Year	Years One & Three
Revenues	\$5,841,024	Revenues	\$233,896,000	\$239,737,024
Expenses	<u>\$2,331,200</u>	Expenses	<u>\$243,487,000</u>	<u>\$245,818,200</u>
Gain/(Loss)	\$3,509,824	Gain/(Loss)	(\$9,591,000)	(\$6,081,176)

#### Detailed Incremental

	Years One & Three	
	Per Disch.	Total
<u>Inpatient Revenues</u>		
Commercial MC	\$20,815	\$312,221
Medicare FFS	\$20,635	1,031,740
Medicare MC	\$20,815	416,294
Medicaid FFS	\$20,815	104,074
Medicaid MC	\$20,815	208,147
All Other		(33,306)
Total Inpt Revenue		\$2,039,170
<u>Outpatient Revenues</u>	<u>Per Visit</u>	<u>Total</u>
Commercial MC	\$13,648	\$1,241,949
Medicare FFS	\$13,648	832,505
Medicare MC	\$13,793	358,617
Medicaid FFS	\$13,789	275,771
Medicaid MC	\$13,726	905,946
Private Pay	\$13,793	179,309
All Other	\$1,108	<u>7,757</u>
Total Outpt Revenue		\$3,801,854
 Total Revenues		 \$5,841,024

	<u>Years One &amp; Three</u>	
<u>Expenses</u>		
Operating	\$5,729	\$2,199,900
Capital	<u>342</u>	<u>131,300</u>
Total Expenses	\$6,071	\$2,331,200
Net Income		<u>\$3,509,824</u>
<u>Utilization</u>		
Inpatient		100
Outpatient		<u>284</u>
Total		384
Avg Cost per Procedure		\$6,070.83

The following was noted with respect to the first and third year incremental budgets:

- A blended DRG rate methodology was used, which is consistent with how CHSLI approaches their forecasting methodology on projects of this magnitude across its operating spectrum. In computing the blended DRG rate, CHSLI incorporates the case count, coupled with the reimbursement for those cases, and computes an average (blended) rate of reimbursement.
- Expenses are based upon actual expenses incurred for similar procedures at related sites of service. From a clinical perspective the services will mimic those being offered by St. Francis, while the reimbursement rates at MMC are typically slightly lower and have been adjusted to meet the proposed expected level of reimbursement for cautious forecasting purposes.
- Utilization projections are based on the experience and expected market share of related sites of service providing cardiac catheterization services within the CHSLI service area. Utilization by payor source for Years One and Three (identical), is as follows:

<u>Inpatient</u>	<u>%</u>
Commercial MC	15%
Medicare FFS	50%
Medicare MC	20%
Medicaid FFS	5%
Medicaid MC	<u>10%</u>
Total	100%

<u>Outpatient</u>	<u>%</u>
Commercial-MC	32.0%
Medicare FFS	21.5%
Medicare MC	9.2%
Medicaid FFS	7.0%
Medicaid MC	23.2%
Private Pay	4.6%
All Other	<u>2.5%</u>
Total	100%

#### Capability and Feasibility

There are no project costs associated with this application. The applicant will utilize existing cash equity to fund working capital needs through ongoing operations. BFA Attachment A is the 2018 consolidated financial summary for Catholic Health Services of Long Island, which indicates the availability of sufficient funds.

The submitted budget indicates an excess of revenues over expenses of \$3,509,824 during the first and third years of operation. Revenues reflect a blended rate for all payors based on CHSLI's experience in 2018, with reimbursement rates projected slightly lower for MMC than those of St. Francis Hospital, a member of CHSLI. The budget appears reasonable.

As shown in BFA Attachment A, CHSLI has maintained positive working capital, a positive net asset position, and generated operating income of \$81,737,000 as of December 31, 2018. BFA Attachment B is CHSLI's consolidated internal financial statements as of October 31, 2019, which indicates CHSLI maintained positive working capital, positive net assets, and had operating income of \$7,197,000.

BFA Attachment C is a by facility schedule from the 2018 certified consolidating financial statements, which indicates MMC experienced negative working capital, a net assets position and had a net operating loss of \$9,591,000. The loss is partially covered by Catholic Health Services via below-the-line transfer of funds so as not to inflate the income of MMC and make it look profitable as a standalone entity. In 2018 CHSLI transferred \$8,226,000 to MMC to partially offset the operating loss.

BFA Attachment D is the consolidated internal financial statements of CHSLI as of October 31, 2019, which indicates MMC experienced negative working capital, a positive net assets position and had a net operating loss of \$11,667,000. This loss was partially offset by a \$6,066,000 transfer of funds from CHSLI. MMC projects losses in 2019 and 2020 to increase to \$12,087,000 and \$13,758,000, respectively, from 2018. The following is noted:

- The losses include those of the physician practices owned by the MMC. The losses were \$12,277,000 in 2018, are projected to be \$12,276,000 for 2019, and are budgeted at \$12,087,000 for 2020.
- Implementation of the proposed CON will help decrease those losses by approximately 50%. The effect of this application has not been included in the hospital's 2020 budget.
- MMC continues to be challenged with rising expenses that outpace reimbursement rate increases. Larger losses would be expected on a year to year basis; however, by aggressive operating measures, the losses have been maintained at a consistent level. Within the CHSLI system, the community hospitals operate at a loss with the understanding that St. Francis offsets those losses based upon their operating surplus. For 2017 and 2018, the system has an operating income of approximately \$71,963,000 and \$81,737,000, respectively.

CHSLI will fund any loss through the ongoing operations of the system.

#### Conclusion

The applicant has demonstrated the capability to proceed in a financially feasible manner.

## Attachments

RNR Attachment B	Map
BFA Attachment A	Catholic Health Services of Long Island – 2018 Certified Financial Statements
BFA Attachment B	Catholic Health Services of Long Island – Consolidated internal financial statements as on October 31, 2019
BFA Attachment C	Catholic Health Services of Long Island (Mercy Medical Center) - 2018 Certified consolidating financial statements
BFA Attachment D	Catholic Health Services of Long Island (Mercy Medical Center) - Consolidating internal financial statements as of October 31, 2019
BFA Attachment E	List of CHSLI Hospitals



Project # 182119-C
John T. Mather Memorial Hospital of Port Jefferson New York, Inc.

Program: Hospital
Purpose: Construction

County: Suffolk
Acknowledged: September 21, 2018

Executive Summary

Description

John T. Mather Memorial Hospital of Port Jefferson New York, Inc. (JT Mather or Mather), a 248-bed, voluntary not-for-profit, Article 28 acute care hospital located at 75 North Country Road, Port Jefferson (Suffolk County) that is part of the Northwell Health System, requests approval to certify, Cardiac Catheterization - Percutaneous Coronary Intervention (PCI) and Cardiac Catheterization - Electrophysiology (EP) services and perform renovations to create two cardiac catheterization labs. The applicant will renovate 3,644 sq. ft. (sf) of existing space adjacent to, and contiguous with, the Surgical Service area on the 2nd Floor (consisting of 60 sf on the 1st Floor and 3,584 sf on the 2nd Floor).

SPARCS data shows that there are a significant number of patients initially treated at JT Mather who were subsequently transferred emergently to a second hospital from which they were discharged with DRGs associated with diagnostic cardiac catheterizations, PCI procedures and EP procedures. Through this project, JT Mather will be able to provide these cardiac catheterization services directly, vastly improving the continuum of care to the residents of the hospital's service area.

Southside Hospital, a 305-bed, Article 28 acute care hospital located in Bay Shore (Suffolk County) that is co-operated by Northwell Healthcare, Inc., will serve as the back-up hospital for cardiac surgery. Southside and Northwell will work collaboratively with JT Mather to expand their quality and performance improvement program to include PCI and EP

services. JT Mather and Southside Hospital are located 24.7 miles (39 minutes travel time) from one another.

Northwell Healthcare Inc., a not-for-profit corporation located in Nassau County, became the active parent and co-operator of JT Mather effective September 13, 2019 (CON 182124). Northwell Healthcare, Inc., whose sole corporate member is Northwell Health, Inc., a New York not-for-profit corporation, is an integrated health care delivery system consisting of hospitals, physician practices and providers of subacute care (including home care, long term care and hospice services) serving the residents of the greater New York Metropolitan Area.

OPCHSM Recommendation
Contingent Approval

Need Summary

New York Title 10 Cardiac Services Regulation 709.14, effective September 25, 2019, requires facilities seeking to add percutaneous coronary intervention, PCI, services to project a minimum of 36 emergency PCI procedures in year one of operation. Emergency PCI (E-PCI) includes any procedure not scheduled and not elective. Twelve facilities in the Long Island Region currently provide PCI services. In 2018, 503 Long Island Region residents were treated outside of the HSA for currently defined emergency PCI procedures. The four Long Island Region applicants on the Public Health and Health Planning Council February 2020

Agenda that seek certification of Cardiac Catheterization-Percutaneous Coronary Intervention services all project, at minimum, 36 emergency PCI procedures in Year One.

Program Summary

Based on the results of this review, a favorable recommendation can be made regarding the facility's current compliance pursuant to 2802-(3)(e) of the New York State Public Health Law.

Financial Summary

Project costs of \$11,778,476 will be met with \$1,177,848 in accumulated funds and bond financing for \$10,600,628 at 6.5% for a 30-year

term. Citigroup Global Markets, Inc. has provided a letter of interest to underwrite the bonds noting that if the financing is completed on a tax-exempt basis, the bonds will be issued through the Dormitory Authority of the State of New York (DASNY).

<u>Incremental Budget</u>	<u>Year One</u>	<u>Year Three</u>
Revenues	\$14,953,500	\$17,822,700
Expenses	<u>12,520,900</u>	<u>13,901,400</u>
Gain/(Loss)	\$2,432,600	\$3,921,300



## Recommendations

Health Systems Agency

There will be no HSA recommendation for this project.

Office of Primary Care and Health Systems Management

**Approval contingent upon:**

1. Submission of a check for the amount enumerated in the approval letter, payable to the New York State Department of Health. Public Health Law Section 2802.7 states that all construction applications requiring review by the Public Health and Health Planning Council shall pay an additional fee of fifty-five hundredths of one percent of the total capital value of the project, exclusive of CON fees. [PMU]
2. Submission of the Bond and Note Resolution acceptable to the Department of Health. Included with the submission must be a sources and uses statement and debt amortization schedule, for both new and refinanced debt. [BFA]
3. The submission of State Hospital Code (SHC) Drawings for review and approval, as described in BAER Drawing Submission Guidelines DSG-02. [AER]
4. The submission of Engineering (MEP) Drawings for review and approval, as described in BAER Drawing Submission Guidelines DSG-1.0. [AER]

**Approval conditional upon:**

1. The project must be completed within two years from the date of the Public Health and Health Planning Council recommendation letter. Failure to complete the project within the prescribed time shall constitute an abandonment of the application by the applicant and an expiration of the approval. [PMU]
2. Construction must start on or before May 1, 2020 and construction must be completed by November 1, 2020, presuming the Department has issued a letter deeming all contingencies have been satisfied prior to commencement. In accordance with 10 NYCRR Section 710.10(a), if construction is not started on or before the start date this shall constitute abandonment of the approval. It is the responsibility of the applicant to request prior approval for any changes to the start and completion dates. [PMU]
3. The submission of Final Construction Documents, as described in BAER Drawing Submission Guidelines DSG-05, is required prior to the applicant's start of construction. [AER]

Council Action Date

**February 6, 2020**

# Need Analysis

## Background

New York Title 10 Cardiac Services Regulation 709.14, effective September 25, 2019, requires facilities seeking to add percutaneous coronary intervention, PCI, services to project a minimum of 36 emergency PCI procedures in year one of operation. Emergency PCI (E-PCI) includes any procedure not scheduled and not elective. Twelve facilities in the Long Island Region currently provide PCI services. In 2018, 503 Long Island Region residents were treated outside of the HSA for currently defined emergency PCI procedures. The four Long Island Region applicants on the Public Health and Health Planning Council February 2020 Agenda that seek certification of Cardiac Catheterization-Percutaneous Coronary Intervention services all project, at minimum, 36 emergency PCI procedures in Year-One.

## Analysis

Please refer to **RNR Attachment B** for:

- The distribution of Long Island Region applicants with projected Year-One and Year-Three emergency PCIs (E-PCIs).
- The display of 2018 E-PCIs performed at existing Long Island Region facilities.
- The display of county-specific migration: Long Island Region residents receiving E-PCI treatment outside vs. inside their home region.

<b>Table 1: 2018 Emergency PCI's Migration of Long Island Region Residents: County-Specific Location of Treatment</b>			
<b>Resident Migration</b>	<b>Nassau</b>	<b>Suffolk</b>	<b>Total</b>
County Residents Treated All Locations	3,718	4,731	8,449
County Residents Receiving Emergency PCI Treatment on LI	3,372	4,574	7,946
County Residents Leaving LI for Emergency PCI Treatment	346	157	503

Long Island Region residents received 8,449 emergency PCI treatments in 2018. Of these, 7,946 procedures were performed within Long Island and 503 were performed out of the region.

<b>Table 2: 2018 Emergency PCI's Performed on Long Island Region Residents: By County, By Operational Long Island Region Facilities</b>			
<b>Operational Long Island Region Facility</b>	<b>Nassau</b>	<b>Suffolk</b>	<b>Total</b>
Mount Sinai South Nassau	424	9	433
North Shore University Hospital	985	177	1,162
NYU Winthrop Hospital	673	245	918
St Francis Hospital	1,162	418	1,580
Good Samaritan Hospital Medical Center	57	735	792
Huntington Hospital	26	435	461
Long Island Community Hospital	1	359	360
Peconic Bay Medical Center	1	128	129
Southside Hospital	21	688	709
St Catherine of Siena Hospital	5	200	205
University Hospital	16	1,121	1,137
University Hospital - Stony Brook Southampton Hospital	1	59	60
<b>Total</b>	<b>3,372</b>	<b>4,574</b>	<b>7,946</b>

Table 3: Applicant Facilities: Projected Emergency PCI's				
Project	Facility	County	Projected Emergency PCIs	
			Year One	Year Three
172332	Plainview Hospital	Nassau	113	127
191306	St. Joseph Hospital	Nassau	36	36
191308	Mercy Medical Center	Nassau	36	36
182119	John T Mather Memorial Hospital	Suffolk	60	73

JT Mather has projected 60 emergency and 352 total PCI procedures by Year One and 73 emergency and 430 total PCI procedures by Year Three of operation. By providing PCI-capable Cardiac Cath services, Mather anticipates achieving of the following goals:

- Reduce inconvenience and travel time to patients who would have otherwise been transferred to another facility.
- Enhance access to PCI services for the under-served population of the area.

## Program Analysis

### Program Description

The program will be coordinated (via an executed clinical sponsorship) with Southside Hospital, a 300-bed acute care hospital on Bay Shore, Long Island (Suffolk County) that offers a full-service cardiac surgery center and is also a member of Northwell Health. Southside Hospital will facilitate integration of expertise and resources for the cardiac catheterization laboratory located at JT Mather Hospital and will provide clinical leadership, day-to-day supervision and quality oversight. Further, all existing policies and procedures currently in place at Southside Hospital will be incorporated into the operation of the lab at JT Mather and patients who require surgery will be transferred to Northwell Health Southside Hospital.

Upon completion of the project, Mather will be approved to provide the following services:

- Cardiac Catheterization – Percutaneous Coronary Intervention (PCI)
- Cardiac Catheterization – Electrophysiology (EP)

The Applicant has submitted a written plan that demonstrates their ability to comply with all of the standards for PCI Capable Cardiac Catheterization Laboratories and electrophysiology services and they have assured the Department that their program will meet all of the requirements of 405.29(e)(1), 405.29(e)(2) and 405.29(e)(5).

### Compliance with Applicable Codes, Rules and Regulations

This facility has no outstanding Article 28 surveillance or enforcement actions and, based on the most recent surveillance information, is deemed to be currently operating in substantial compliance with all applicable State and Federal codes, rules and regulations. This determination was made based on a review of the files of the Department of Health, including all pertinent records and reports regarding the facility's enforcement history and the results of routine Article 28 surveys as well as investigations of reported incidents and complaints.

### Prevention Agenda

The applicant provided examples of interventions that Northwell Health is implementing to support Prevention Agenda goals:

- Bridging Communities of Faith and Health
- Heart Smart Workshop
- "Are You Ready, Feet?" (AYRF)
- Cultural Competency and Health Literacy (CCHL) – "Train-the-Trainer"
- WomenHeart: The National Coalition for Women with Heart Disease
- Community programs and services

The applicant states that JT Mather and Northwell Health have engaged local community partners in their Prevention Agenda efforts, such as the Long Island Health Collaborative, the American Heart Association, and the Community Outreach and Health Education Council. They cite indicators from the Prevention Agenda Dashboard that they track to measure progress toward achieving local Prevention Agenda goals:

- Age-adjusted heart attack hospitalization rate per 10,000 population
- Rate of hospitalizations for short-term complications of diabetes per 10,000 - Aged 6-17 years
- Preventable hospitalizations: Ratio of Hispanics to White non-Hispanics

In 2017 the applicant spent \$706,869 on community health improvement services, representing 0.196% of total operating expenses.

#### Conclusion

Based on the results of this review, a favorable recommendation can be made regarding the facility's current compliance pursuant to 2802-(3)(e) of the New York State Public Health Law.

## Financial Analysis

#### Total Project Cost and Financing

Total project cost for renovations and the acquisition of moveable equipment is estimated at \$11,778,476 broken down as follows:

Renovation & Demolition	\$ 3,759,405
Design Contingency	375,940
Construction Contingency	375,940
Planning and Consulting Fees	44,555
Architect/Engineering Fees	280,000
Construction Manager Fees	27,500
Other Fees (Consultant)	117,500
Movable Equipment	5,582,714
Telecommunications	586,000
Financing Costs	562,506
CON Application Fees	2,000
Additional Processing Fee	<u>62,450</u>
<b>Total Project Cost</b>	<b>\$11,778,476</b>

Project costs are based on a construction start date of May 1, 2020 and a six-month construction period.

The applicant will finance the project through \$1,177,848 in accumulated funds and a bond issuance for \$10,600,628 at 6.5% for a 30-year term. Citigroup Global Markets, Inc. has provided a letter of interest to underwrite the bonds. If the financing is completed on a tax-exempt basis, the bonds will be issued through the DASNY. Northwell Healthcare, Inc. will provide capital financing for the project through a combination of available accumulated funds, charitable contributions and interim financing with bank revolving credits, in advance of DASNY bond financing.

BFA Attachment A shows sufficient accumulated funds for this project. The applicant has submitted a letter regarding financial support provided by Northwell Health, Inc.

## Incremental Operating Budget

The applicant has submitted an incremental operating budget, in 2020 dollars, for the first and third years, summarized below:

	<u>Year One</u>		<u>Year Three</u>	
<u>Inpatient Revenues</u>	<u>Per Disch.</u>	<u>Total</u>	<u>Per Disch.</u>	<u>Total</u>
Commercial MC	\$31,904	\$5,487,500	\$31,942	\$6,164,800
Medicare FFS	\$16,511	2,592,200	\$16,737	2,912,200
Medicare MC	\$14,231	498,100	\$14,349	559,600
Medicaid FFS	\$15,864	174,500	\$16,333	196,000
Medicaid MC	\$11,662	151,600	\$12,164	170,300
Private Pay	\$5,473	<u>60,200</u>	\$5,642	<u>67,700</u>
Total Inpt Revenue		\$8,964,100		\$10,070,600
<u>Outpatient Revenues</u>	<u>Per Visit</u>	<u>Total</u>	<u>Per Visit</u>	<u>Total</u>
Commercial MC	\$12,588	\$3,562,500	\$12,702	\$4,611,000
Medicare FFS	\$6,388	1,641,800	\$6,498	2,125,000
Medicare MC	\$6,684	381,000	\$6,849	493,100
Medicaid FFS	\$7,906	142,300	\$8,373	184,200
Medicaid MC	\$5,390	113,200	\$5,426	146,500
Private Pay	\$8,256	<u>148,600</u>	\$8,741	<u>192,300</u>
Total Outpt Revenue		\$5,989,400		\$7,752,100
Total Revenues		\$14,953,500		\$17,822,700
<u>Inpatient Expenses</u>	<u>Per Disch.</u>	<u>Total</u>	<u>Per Disch.</u>	<u>Total</u>
Operating	\$14,458.65	\$5,769,000	\$14,326.80	\$6,361,100
Capital	<u>\$2,492.23</u>	<u>994,400</u>	<u>\$2,160.81</u>	<u>959,400</u>
Total Inpt Expenses	\$16,950.88	\$6,763,400	\$16,487.61	\$7,320,500
<u>Outpatient Expenses</u>	<u>Per Visit</u>	<u>Total</u>	<u>Per Visit</u>	<u>Total</u>
Operating	\$7,509.33	\$4,911,100	\$6,864.95	\$5,718,500
Capital	<u>\$1,294.19</u>	<u>846,400</u>	<u>\$1,035.29</u>	<u>862,400</u>
Total Outpt Expenses	\$8,803.52	\$5,757,500	\$7,900.24	\$6,580,900
Total Expenses		\$12,520,900		\$13,901,400
Excess of Rev over Exp		<u>\$2,432,600</u>		<u>\$3,921,300</u>
<u>Utilization (procedures)</u>				
Inpatient		399		444
Outpatient		<u>654</u>		<u>833</u>
Total		1,053		1,277
Avg Cost Per Procedure		\$11,890.69		\$10,885.98

The following is noted with respect to the incremental budget projections for the first and third years:

- Utilization and expense projections are based on the experience of Southside Hospital, which is the back-up hospital for cardiac surgery.
- Revenue and rate assumptions for inpatient and outpatient services are based on the current experience of existing cardiac catheterization lab volume within the Health System.
- Medicare DRGs 246-249 (Percutaneous Cardiovascular Procedures with Coronary Artery/Stent), 281 (Acute Myocardial Infraction), 286 and 287 (Circulatory Disorders Except AMI with Cardiac Catheterization) were used to develop the inpatient rates.
- A rate differential was applied to calculate the rates for all payors for all procedures.

- Utilization by payor source for inpatient and outpatient services for Years One and Three is as follows:

<u>Inpatient</u>	<u>Years One &amp; Three</u>	<u>Outpatient</u>	<u>Years One &amp; Three</u>
Commercial-MC	43.4%	Commercial-MC	43.4%
Medicare FFS	39.3%	Medicare FFS	39.3%
Medicare MC	8.7%	Medicare MC	8.7%
Medicaid FFS	2.7%	Medicaid FFS	2.7%
Medicaid MC	3.2%	Medicaid MC	3.2%
Self-Pay/Other	2.7%	Self-Pay/Other	2.7%

#### Capability and Feasibility

Project costs of \$11,778,476 will be met with \$1,177,848 in accumulated funds and bond financing for \$10,600,628 at 6.5% for a 30-year term. Citigroup Global Markets, Inc. has provided a letter of interest to underwrite the bonds noting that if the financing is completed on a tax-exempt basis, the bonds will be issued through the DASNY. BFA Attachment A is a financial summary for JT Mather, which indicates the availability of sufficient funds.

The submitted budget indicates an excess of revenues over expenses of \$2,432,600 and \$3,921,300 during the first and third years of operation, respectively. Revenues reflect current reimbursement methodologies for cardiac catheterization services. The budget appears reasonable.

BFA Attachment A is JT Mather's 2017 and 2018 certified financial statements, which indicate the hospital maintained positive working capital and net asset positions, generated a net operating income of \$4,185,974 in 2018 and had a net operating loss of \$1,072,233 in 2017. In 2017, JT Mather showed an excess of revenues and gains over expenses of \$596,100 after non-operating income of \$1,668,333 was considered. BFA Attachment B, JT Mather's internal financial statements, show a positive income of \$3,033,375 as of October 31, 2019.

Based on the preceding, the applicant has demonstrated the capability to proceed in a financially feasible manner.

## Attachments

RNR Attachment B	Map
BFA Attachment A	Financial Summary, John T Mather Hospital - 2017 and 2018 certified financials
BFA Attachment B	Financial Summary, John T Mather Hospital- internals as of October 31, 2019
BFA Attachment C	Northwell Health Inc. Organizational Chart



**Project # 192161-C**  
**UPSTATE University Hospital at Community General**

**Program: Hospital**  
**Purpose: Construction**

**County: Onondaga**  
**Acknowledged: November 14, 2019**

**Executive Summary**

**Description**

UPSTATE University Hospital at Community General (Community General), a 314-bed, public state, Article 28 acute-care hospital located at 4900 Broad Road, Syracuse (Onondaga County) requests approval to certify therapeutic radiology services and perform requisite renovations to create an outpatient Cancer Center. The hospital is one of two Syracuse campuses operated by the State University of New York (SUNY), whose main 420-bed campus at 750 East Adams Street in downtown Syracuse operates the UPSTATE Cancer Center. This project provides a satellite site of the UPSTATE Cancer Center where demand for services is at capacity and impacting patient access to care. The proposal includes the renovation of 4,903 gross square feet on the first floor of the Community General campus to create the new Center. The Center will be located at grade level, immediately adjacent to the main lobby entrance and patient drop off loop, with easy access to parking.

OPCHSM Recommendation  
Contingent Approval

**Need Summary**

The applicant will add outpatient infusion and breast therapeutic radiation services to the Community General Campus. The NYS Cancer Registry reports 2,935 average annual cancer cases per year for Onondaga County, a rate of 518 per 100,000 population. This project will improve access for people in need of cancer treatment.

**Program Summary**

Based on the results of this review, a favorable recommendation can be made regarding the facility's current compliance pursuant to 2802-(3)(e) of the New York State Public Health Law.

**Financial Summary**

The total project cost of \$2,817,400 will be met via equity.

<u>Incremental Budget</u>	<u>Year One</u>	<u>Year Three</u>
Revenues	\$3,425,000	\$6,650,000
Expenses	2,319,600	4,395,600
Excess of Revenues	\$1,105,400	\$2,254,400

## Recommendations

Health Systems Agency

There will be no HSA recommendation for this project.

Office of Primary Care and Health Systems Management

**Approval contingent upon:**

1. Submission of a check for the amount enumerated in the approval letter, payable to the New York State Department of Health. Public Health Law Section 2802.7 states that all construction applications requiring review by the Public Health and Health Planning Council shall pay an additional fee of fifty-five hundredths of one percent of the total capital value of the project, exclusive of CON fees. [PMU]
2. Submission of State Hospital Code (SHC) Drawings, acceptable to the Department, as described in BAEFP Drawing Submission Guidelines DSG-01. [AER]

**Approval conditional upon:**

1. The project must be completed within two years from the date of the Public Health and Health Planning Council recommendation letter. Failure to complete the project within the prescribed time shall constitute an abandonment of the application by the applicant and an expiration of the approval. [PMU]
2. Construction must start on or before June 1, 2020 and construction must be completed by June 1, 2021, presuming the Department has issued a letter deeming all contingencies have been satisfied prior to commencement. In accordance with 10 NYCRR Section 710.10(a), if construction is not started on or before the start date this shall constitute abandonment of the approval. It is the responsibility of the applicant to request prior approval for any changes to the start and completion dates. [PMU]
3. The submission of Final Construction Documents, as described in BAER Drawing Submission Guidelines DSG-05, is required prior to the applicant's start of construction. [AER]

Council Action Date

**February 6, 2020**



## Need and Program Analysis

### Proposal

UPSTATE University Hospital at Community General, located at 4900 Broad Road, Syracuse, NY 13215 Onondaga County, requests approval to certify Radiology – Therapeutic O/P services in order to provide outpatient breast radiation therapy services. As part of the project, University Hospital SUNY Health Sciences Center (the main campus) will operate a satellite site of their UPSTATE Cancer Center at Community General and offer outpatient infusion services in addition to the therapeutic radiology services.

Staffing is expected to increase as a result of this project by 6.8 FTEs in Year One and 12.6 FTEs in Year Three of the completed project.

### Analysis

Onondaga County has a population estimate of 461,809 for 2018. The female population is 51.8% which is slightly above the state average of 51.4%. According to the 2009 Journal of Clinical Oncology Report, from 2010 – 2030 there will be an expected increase of 45% in cancer incidence.

The applicant has stated that they are currently operating at capacity at the main site and the additional site will address the current demands and overcrowding and improve the quality of care for Onondaga residents.

### Compliance with Applicable Codes, Rules and Regulations

The medical staff will continue to ensure that the procedures performed at the facility conform to generally accepted standards of practice and that privileges granted are within the physician's scope of practice and expertise. The Facility's admissions policy includes anti-discrimination provisions regarding age, race, creed, color, national origin, marital status, sex, sexual orientation, religion, disability or source of payment. All procedures are performed in accordance with all applicable federal and state codes, rules and regulations. The Facility's accreditation is a Medicare deemed survey done by The Joint Commission to insure we comply with all regulations. A sliding fee scale is in place for those without insurance and provisions are made for those who cannot afford services.

This facility has no outstanding Article 28 surveillance or enforcement actions and, based on the most recent surveillance information, is deemed to be currently operating in substantial compliance with all applicable State and Federal codes, rules and regulations. This determination was made based on a review of the files of the Department of Health, including all pertinent records and reports regarding the facility's enforcement history and the results of routine Article 28 surveys as well as investigations of reported incidents and complaints.

### Conclusion

The additional location for outpatient cancer care will address the capacity issues at the main site.

## Financial Analysis

### Total Project Cost and Financing

The total project cost of \$2,817,400, which is for renovations and acquisition of moveable equipment, is detailed as follows:

<u>Category</u>	<u>Total</u>
Renovation & Demolition	\$2,150,000
Architect/Engineering Fees	275,000
Moveable Equipment	375,000
CON Fee	2,000
Additional Processing Fee	<u>15,400</u>
Total Project Cost	\$2,817,400

Project costs are based on a construction start date of June 1, 2020, and a 12-month construction period. The applicant will provide \$2,817,400 via equity.

### Incremental Operating Budget

The applicant has submitted an incremental operating budget, in 2020 dollars, for the first and third years, summarized below:

<u>Outpatient Revenues</u>	Year One		Year Three	
	<u>Per Visit</u>	<u>Total</u>	<u>Per Visit</u>	<u>Total</u>
Commercial FFS	\$15,983	\$959,000	\$14,896	\$1,862,000
Commercial MC	\$27,400	411,000	\$19,950	798,000
Medicare FFS	\$16,335	1,061,750	\$14,725	2,061,500
Medicare MC	\$18,267	274,000	\$15,200	532,000
Medicaid FFS	\$11,417	171,250	\$9,500	332,500
Medicaid MC	\$10,275	513,750	\$9,068	997,500
Private Pay	\$6,850	<u>34,250</u>	\$4,433	<u>66,500</u>
Total Outpt Revenues		\$3,425,000		\$6,650,000
<u>Outpatient Expenses</u>				
Operating	\$10,309	\$2,319,600	\$8,791	\$4,395,600
Capital	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Outpt Expenses	\$10,309	\$2,319,600	\$8,791	\$4,395,600
Excess Rev over Exp		<u>\$1,105,400</u>		<u>\$2,254,400</u>
Visits		225		500
Cost per Visit		\$10,309		\$8,791

The following is noted with respect to the incremental budgets:

- Expense and utilization assumptions are based on SUNY's experience operating the existing UPSTATE Cancer Center.
- Although total revenue increases overall in Year Three, revenue on an average per visit basis decreases across all payor. This decrease from Year One to Year Three is due to the addition of breast radiation therapy in the third year, which has a lower charge on the average, compared to outpatient chemotherapy infusion services.

- Utilization by payor source for the outpatient visits are as follows:

<u>Payor</u>	<u>Year One</u>	<u>Year Three</u>
Commercial FFS	26.67%	25.00%
Commercial MC	6.67%	8.00%
Medicare FFS	28.89%	28.00%
Medicare MC	6.67%	7.00%
Medicaid FFS	6.67%	7.00%
Medicaid MC	22.22%	22.00%
Private Pay	<u>2.21%</u>	<u>3.00%</u>
Total	100.00%	100.00%

#### Capability and Feasibility

The total project cost of \$2,817,400 will be met via equity. BFA Attachment A is the 2018 certified financial statements, which indicate the availability of sufficient funds.

Working capital requirements are estimated at \$732,600 based on two months of third year expenses and will be provided through operations. As shown in BFA Attachment A, sufficient funds exist for the working capital requirements.

The submitted budget indicates a net income of \$1,105,400 and \$2,254,400 during the first and third years, respectively. Revenues are based on the hospital's current reimbursement rates. The submitted budget appears reasonable.

As shown on BFA Attachment A, University Hospital had a positive working capital position, a positive net asset position and maintained and operating gain of \$19,495,000 for 2018 and experienced an operating loss of \$64,863,000 in 2017. The loss in 2017 is due to delayed Disproportionate Share Payments (DSH). Beginning in 2016, the timing of a portion of DSH payments were significantly delayed from the historical timing of those payments and the Department of Health (DOH) communicated its intent to cap the State's DSH contribution for the three SUNY Hospitals. The language in the final budget bills for State Fiscal Year (SFY) 2018 (April 2017 – March 2018) did not incorporate a cap on the State's DSH payment but rather provided language in the DOH "Global Cap" appropriations that made an allocation available for payment of DSH reimbursement to SUNY hospitals dependent on those institutions providing sufficient financial information to evaluate the need to support current and future reimbursements.

In November 2017, the NYS Medicaid program reduced its SFY 2018 appropriation for the non-Federal share of DSH losses incurred by University Hospital by approximately \$47.5 million. This reduction of \$47.5 million in State funding was restored as SUNY transferred \$47.5 million from its general operating fund to fund the balance of the non-Federal DSH payments in SFY 2018. The Hospital has estimated DSH based on payments received throughout 2017 and to date, as well as payments anticipated through each year's final audited cost report.

As shown on BFA Attachment B, University Hospital had a positive working capital position, a positive net asset position and maintained net income of \$5,594,000 as of October 31, 2019.

Based on the preceding, the applicant has demonstrated the capability to proceed in a financially feasible manner.

## Attachments

BFA Attachment A University Hospital - Certified financial statements of as of December 31, 2017 and 2018

BFA Attachment B University Hospital - Internal financial statements of as of October 31, 2019



**Project # 192244-C**  
**United Health Services Hospitals, Inc. - Wilson Medical  
Center**

**Program: Hospital**  
**Purpose: Construction**

**County: Broome**  
**Acknowledged: November 12, 2019**

**Executive Summary**

**Description**

United Health Services Hospitals, Inc. - Wilson Medical Center ("UHSW-Wilson" or the "Hospital"), a 280-bed, voluntary not-for-profit, Article 28 acute care hospital located at 33-57 Harrison Street, Johnson City (Broome County), requests approval to construct a new six-story building to expand the Emergency Department (ED), add an MRI unit and services, create a new 30-bed all-private room medical/surgical (M/S) unit, and add shell space for the future development of additional private rooms. There will be no change in the total number of certified beds at the Hospital. The 30 beds for the new M/S unit will come from current double-bedded rooms that will become private after the completion of the project.

This proposed major modernization project represents a significant commitment to transform the delivery of health care services at UHSW-Wilson. The project is part of UHSW-Wilson's Facility Master Plan to modernize healthcare delivery to more efficiently and effectively meet the needs of the population it serves. The UHSW-Wilson campus was originally constructed in 1949, with the last major renovation/addition in 1989. In its current state, the facility is unable to accommodate the rapidly changing demands of new healthcare technology. The ED is overcrowded, which has created operational inefficiencies and throughput challenges that have led to patients leaving the ED without being seen and poor patient experience. This project seeks to address these concerns by

constructing an improved and expanded Emergency Department.

UHSW-Wilson is a vital component to the overall healthcare delivery system in the Southern Tier of New York State (NYS). The Hospital is the region's only critical care hospital, and the facility has been designated by the NYS Department of Health (DOH) as a Level II Adult Trauma Center, Primary Stroke Center and Level III Perinatal Center. In addition, the facility is a Regional Heart Center with cardiac surgery, a Regional Neurosurgical Center and a Regional Neonatal Center.

OPCHSM Recommendation  
Contingent Approval

**Need Summary**

This project will modernize and expand the ED to address overcrowding and will create additional private rooms, as has become the industry standard.

**Program Summary**

Based on the results of this review, a favorable recommendation can be made regarding the facility's current compliance pursuant to 2802-(3)(e) of the New York State Public Health Law.

**Financial Summary**

The total project cost of \$131,242,217 includes the cost of shell space construction. Therefore, the total reimbursable cost is limited to \$113,869,393. The project cost is broken down

as follows: assigned Article 28 space for \$113,869,393 and shell space of \$17,372,824. The project cost will be met via \$13,124,222 equity with the \$118,117,995 balance expected to be financed via a bond issuance, preferably Dormitory Authority of the State of New York (DASNY) tax-exempt bonds at 4% interest over 30 years.

UHSB has submitted a statement that they are willing to absorb the net operational losses of Wilson Medical Center due to the new construction through funded depreciation on the Hospital's balance sheet.

<u>Budget</u>	<u>Year One</u>	<u>Year Three</u>
Revenues	\$686,561,220	\$687,362,555
Expenses	<u>688,325,987</u>	<u>690,862,242</u>
Gain/(Loss)	(\$1,764,767)	(\$3,499,687)

## Recommendations

Health Systems Agency

There will be no HSA recommendation for this project.

Office of Primary Care and Health Systems Management

**Approval contingent upon:**

1. Submission of a check for the amount enumerated in the approval letter, payable to the New York State Department of Health. Public Health Law Section 2802.7 states that all construction applications requiring review by the Public Health and Health Planning Council shall pay an additional fee of fifty-five hundredths of one percent of the total capital value of the project, exclusive of CON fees. [PMU]
2. Submission of a commitment for a permanent mortgage for the project to be provided from a recognized lending institution at a prevailing rate of interest that is determined to be acceptable by the Department of Health. This is to be provided within 120 days of approval of state hospital code drawings and before the start of construction. Included with the submitted permanent mortgage commitment must be a sources and uses statement and a debt amortization schedule, for both new and refinanced debt. (BFA)
3. The submission of Design Development and State Hospital Code (SHC) Drawings, as described in BAER Drawing Submission Guidelines DSG-1.0 Required Schematic Design (SD) and Design Development (DD) Drawings, and 2.18 LSC Chapter 18 Healthcare Facilities Public Use, for review and approval.
4. Submission of State Environmental Quality Review (SEQR) Summary of Findings pursuant to 6 NYCRR Part 617.4(b) (6), and 10NYCRR 97.12

**Approval conditional upon:**

1. The project must be completed within four years from the date of the Public Health and Health Planning Council recommendation letter. Failure to complete the project within the prescribed time shall constitute an abandonment of the application by the applicant and an expiration of the approval. [PMU]
2. Construction must start on or before September 1, 2020 and construction must be completed by March 1, 2023, presuming the Department has issued a letter deeming all contingencies have been satisfied prior to commencement. In accordance with 10 NYCRR Section 710.10(a), if construction is not started on or before the start date this shall constitute abandonment of the approval. It is the responsibility of the applicant to request prior approval for any changes to the start and completion dates. [PMU]
3. The submission of Final Construction Documents, as described in BAER Drawing Submission Guidelines DSG-05, is required prior to the applicant's start of construction. [AER]

Council Action Date

**February 6, 2020**

# Need and Program Analysis

## Background

United Health Services Hospitals – Wilson Medical Center (“UHSW-Wilson” or the “Hospital”) is seeking approval for the modernization of the Hospital to meet the needs of healthcare delivery in the 21st century. UHSW-Wilson is located at 33-57 Harrison Street, Johnson City (Broome County), New York 13790. There will be no change to the Operating Certificate of the Hospital as a result of this major modernization project, which includes the following components:

- A new, right-sized Emergency Department “ED” with the addition of 14 bays;
- The addition of MRI services and an MRI unit;
- A new all-private room medical/surgical (M/S) unit with 30 beds but no change to the total number of certified beds at the Hospital.
- Shell space for the future development of additional private rooms.

The project is part of UHSW-Wilson’s Facility Master Plan to modernize healthcare delivery to more efficiently and effectively meet the needs of the population it serves. In addition, the planning and programming activities for this project focused on the following goals:

- Assist in the long-term strategy to consolidate ED visits at UHSW-Wilson, leaving the ED at UHSW-Binghamton to focus on behavioral health issues from the emergency medicine perspective;
- Provide for future flexibility for medical/surgical bed utilization at UHSW-Wilson;
- Identify strategic and functional placement of a new MRI suite;
- Create an all-private room inpatient unit;
- Provide a new front entrance to UHSW-Wilson;
- Reduce the cost of providing health care services through operating efficiencies resulting from increased productivity and throughput and reduced supply cost through standardization.

## Analysis

	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>Projected Year One</b>	<b>Projected Year Three</b>
<b>ED Visits</b>	41,870	51,818	51,954	53,179	54,404

*Source: ICR Cost reports 2016-2018 and Applicant*

Due to its age, the facility is unable to accommodate the new healthcare technology within the existing footprint. In addition, the ED is overcrowded, which has created operational inefficiencies. This project will address these concerns.

Staffing is expected to decrease as a result of this construction/expansion project by 20.58 FTEs in Year One and 42.24 FTEs in Year Three of the completed project.

## Compliance with Applicable Codes, Rules and Regulations

The medical staff will continue to ensure that the procedures performed at the facility conform to generally accepted standards of practice and that privileges granted are within the physician’s scope of practice and expertise. The Facility’s admissions policy includes anti-discrimination provisions regarding age, race, creed, color, national origin, marital status, sex, sexual orientation, religion, disability or source of payment. All procedures are performed in accordance with all applicable federal and state codes, rules and regulations. The Facility’s accreditation is a Medicare deemed survey done by The Joint Commission to insure we comply with all regulations. A sliding fee scale is in place for those without insurance and provisions are made for those who cannot afford services.

This facility has no outstanding Article 28 surveillance or enforcement actions and, based on the most recent surveillance information, is deemed to be currently operating in substantial compliance with all applicable State and Federal codes, rules and regulations. This determination was made based on a review of the files of the Department of Health, including all pertinent records and reports regarding the facility's enforcement history and the results of routine Article 28 surveys as well as investigations of reported incidents and complaints.

#### Prevention Agenda

The applicant states that the proposed project will highlight several Prevention Agenda priorities from a clinical perspective, especially the *Preventing Chronic Diseases* and *Promote Mental Health & Prevent Substance Abuse* Focus Areas. The Applicant states that the Healthcare system clinical providers have been trained to identify, screen and refer patients in accordance with clinical guidelines specific to these focus areas.

The applicant lists four Prevention Agenda goals they are addressing:

- Decrease falls and fall-related hospital admissions among older adults
- Reduce the percentage of children who are obese
- Increase breastfeeding
- Increase screening rates and treatment for cardiovascular disease and diabetes, especially among disparate populations

UHSW has engaged with multiple community partners including the local county health department and the other large hospital system in the community. UHSW provides a listing of the metrics used to monitor progress in advancing local Prevention Agenda Goals. They involve tracking the numbers and percentages of individuals impacted by the UHSW interventions. In 2017 the applicant spent \$2,489,277 on community health improvement services, representing 0.384% of total operating expenses.

#### Conclusion

The proposed major modernization project will help the hospital transform the delivery of health care services at UHSW-Wilson to more efficiently and effectively meet the needs of the population it serves. Based on the results of this review, a favorable recommendation can be made regarding the facility's current compliance pursuant to 2802-(3)(e) of the New York State Public Health Law.



## Financial Analysis

### Total Project Cost and Financing

The total project cost of \$131,242,217, which is for new construction, renovation & demolition and acquisition of moveable equipment, is detailed as follows:

<u>Category</u>	<u>Article 28</u>	<u>Shell Space</u>	<u>Total</u>
New Construction	\$54,034,193	\$11,708,004	\$65,742,197
Renovation & Demolition	10,720,385	354,969	11,075,354
Site Development	3,765,061		3,765,061
Asbestos Abatement/Removal	235,290		235,290
Design Contingency	6,475,458	1,206,297	7,681,755
Construction Contingency	3,773,748	620,897	6,065,907
Architect/Engineering Fees	6,121,535	1,140,366	7,261,901
Construction Manager Fees	5,838,227	227,680	6,065,907
Other Fees	710,366	124,634	835,000
Moveable Equipment	7,105,344		7,105,344
Telecommunications	1,493,305		1,493,305
Financing Costs	2,048,153	314,207	2,362,360
Interim Interest Expense	10,923,483	1,675,770	12,599,253
CON Fee	2,000	0	2,000
Additional Processing Fee	<u>622,845</u>	<u>0</u>	<u>622,845</u>
Total Project Cost	\$113,869,393	\$17,372,824	\$131,242,217

Project costs are based on a construction start date of September 1, 2020, and a 30-month construction period. Since there is shell space involved with this application, total reimbursable project costs shall be limited to \$113,869,393. The applicant will provide \$13,124,222 equity and finance \$118,117,995 via DASNY tax-exempt bonds at 4% interest over 30 years. Ponder & Co., a financial advisor to UHSH, has provided a letter of interest. Ponder has extensive experience with health systems located in New York State and with bonds issued through the DASNY. Since the shell space is intended to be utilized for future Article 28 Medical/Surgical Inpatient areas, financing is allowed for the shell space within DOH guidelines. BFA Attachment A shows sufficient funds for the equity contribution.

### Operating Budget

The applicant has submitted an operating budget, in 2020 dollars, during the first and third years:

	<u>Current Year</u> <u>Total (2018)</u>	<u>Year One</u> <u>Total</u>	<u>Year Three</u> <u>Total</u>
<u>Revenues</u>			
Commercial FFS	\$66,176,428	\$66,266,068	\$66,355,708
Commercial MC	266,651,990	267,024,334	267,396,678
Medicare FFS	126,155,135	126,246,391	126,338,135
Medicare MC	70,914,582	70,976,244	71,037,428
Medicaid FFS	12,763,613	12,780,968	12,798,323
Medicaid MC	86,188,377	86,326,404	86,464,100
Private Pay	50,458	52,558	54,630
All Other	<u>9,940,402</u>	<u>9,968,530</u>	<u>9,997,830</u>
Net Patient Revenues	\$638,840,985	\$639,641,497	\$640,442,832
Other Oper. Revenue	<u>46,919,723</u>	<u>49,919,723</u>	<u>46,919,723</u>
Total Revenue	\$685,760,708	\$686,561,220	\$687,362,555

<u>Expenses</u>			
Operating	\$646,819,788	\$649,033,690	\$651,741,799
Capital	<u>29,749,765</u>	<u>39,292,297</u>	<u>39,120,443</u>
Total Expenses	\$676,569,553	\$688,325,987	\$690,862,242
Excess Revenues	<u>\$9,191,155</u>	<u>(\$1,764,767)</u>	<u>(\$3,499,687)</u>
Discharges	19,320	Stable	Stable
Outpt Visits	911,626	912,815	914,076

The following is noted for the first- and third-year budgets:

- Expense and utilization assumptions are based on the hospital's historical experience.
- The first- and third-year losses are due to the \$4,817,812 increase in depreciation and a three-year average of approximately \$4,638,793 in interest expense from construction.
- The first- and third-year budgets are an accumulation of the Hospital's current year (2018) plus the incremental outpatient services to be added. There is no change in inpatient services and no increase in med/surg utilization.

- Utilization by payor source for the outpatient visits are as follows:

<u>Payor</u>	<u>Current Year</u>	<u>Year One</u>	<u>Year Three</u>
Commercial FFS	9.41%	9.40%	9.40%
Commercial MC	32.26%	32.24%	32.22%
Medicare FFS	18.18%	18.18%	18.18%
Medicare MC	20.03%	20.02%	20.00%
Medicaid FFS	2.62%	2.62%	2.63%
Medicaid MC	13.81%	13.84%	13.87%
Private Pay	0.02%	0.03%	0.03%
All Other	<u>3.67%</u>	<u>3.67%</u>	<u>3.67%</u>
Total	100.00%	100.00%	100.00%

#### Capability and Feasibility

The total project cost of \$1,131,242,217 includes the cost of the shell space construction. The project cost is broken down as follows: assigned Article 28 space for \$113,869,393 and shell space of \$17,372,824. The project cost will be met via \$13,124,222 equity and \$118,117,995 in anticipated tax-exempt bonds (DASNY) at 4% over 30 years. A letter of interest to underwrite the bonds has been submitted by Ponder & Co, an independent registered financial advisor focused on the not-for-profit healthcare sector.

Working capital requirements are estimated at \$2,382,115 based on two months of third year incremental expenses, which will be provided through operations. BFA Attachment A is UHSH's 2018 certified financial statements, which indicates the availability of sufficient funds for the equity contribution to meet the total project cost and the working capital requirements.

The submitted budget projects a net loss of revenues over expenses of \$1,764,767 and \$3,499,687 during the first and third years, respectively. Revenues are based on the hospital's current reimbursement rates. UHSH has submitted a statement that they are willing to absorb the net operational losses of Wilson Medical Center due to the new construction through funded depreciation on the Hospital's balance sheet. BFA Attachment A shows sufficient funds. The submitted budget appears reasonable.

BFA Attachment A shows the entity had an average positive working capital position, an average positive net asset position and achieved an income from operations of \$17,322,065 and \$9,191,160 for 2017 and 2018, respectively. BFA Attachment B shows UHSH maintained a positive working capital position, a positive net asset position and achieved an income from operations of \$12,251,406 as of October 31, 2019.

Based on the preceding, the applicant has demonstrated the capability to proceed in a financially feasible manner.

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## Attachments

BFA Attachment A Certified financial statements of UHSH Inc. for 2017-2018  
BFA Attachment B UHSH Hospital's Internal Statements as of October 31, 2019



**Project # 192159-C  
Chautauqua Hospice and Palliative Care**

**Program: Hospice  
Purpose: Construction**

**County: Chautauqua  
Acknowledged: September 30, 2019**

**Executive Summary**

**Description**

Chautauqua Hospice and Palliative Care (CHPC), a voluntary not-for-profit, Article 40 Hospice with administrative offices located at 20 West Fairmont Avenue, Lakewood (Chautauqua County), requests approval to acquire and renovate adjoining property to certify a five-bed hospice residence. On March 30, 2019, CHPC entered into a Contract for Sale of Real Property with Bender Irrevocable Asset Carol L. to acquire the property and existing structure (a single-family house of approximately 2,516 square feet) located at 32 Fairmount Avenue for a purchase price of \$140,000. Closing of the sale is contingent upon approval of this application by the Public Health and Health Planning Council (PHHPC). The property will be renovated, expanded and furnished to provide a five-bed hospice residence with supporting facilities (kitchen, dining room, living room, laundry, office and other support space).

CHPC is the only Medicare-certified hospice provider in Chautauqua County. In 2018, CHPC served 554 patients and their families providing a total of 30,501 days of care of which 30,358 days were routine home care days. CHPC must often help place patients in skilled nursing facilities when there is no active caregiver or when the patient's home is not safe or appropriate for end of life care. Patients would prefer to remain at home or in a more home-like setting; however, there is often no current alternative to placing or referring a patient to a nursing facility. The addition of the proposed hospice residence will assist with placements,

allowing patients to receive their end of life care in a home-like setting.

**OPCHSM Recommendation  
Contingent Approval**

**Need Summary**

The five-bed hospice residence will allow patients to receive hospice care in a home-like setting. Approval of this application, will not impact the continued unmet need for additional inpatient and dually certified hospice beds in Chautauqua County.

**Program Summary**

Based on the results of this review, a favorable recommendation can be made regarding the facility's current compliance.

**Financial Summary**

Total project cost of \$925,803 will be financed via fundraising of \$500,803, a \$25,000 Community Special Projects Grant from the Chautauqua Region Community Foundation, and a \$400,000 grant from the Lenna Foundation. Letters of intent to award the grant funds have been provided. The fundraising campaign is underway with \$14,650 documented as having been raised as of November 7, 2019.

<u>Budget</u>	<u>Year One</u>	<u>Year Three</u>
Revenues	\$501,882	\$603,009
Expenses	574,211	584,248
Gain/(Loss)	(\$72,329)	\$18,761

## Recommendations

Health Systems Agency

There will be no HSA recommendation for this project.

Office of Primary Care and Health Systems Management

**Approval contingent upon:**

1. Submission of a check for the amount enumerated in the approval letter, payable to the New York State Department of Health. Public Health Law Section 4006(9)(b) states that all construction applications requiring review by the Public Health and Health Planning Council shall pay an additional fee of thirty hundredths of one percent of the total capital value of the project, exclusive of CON fees. [PMU]
2. Submission of documentation of receipt of the fundraising proceeds, acceptable to the Department of Health. [BFA]
3. Submission of documentation of receipt of grant funding from the Lenna Foundation and the Chautauqua Region Community Foundation, acceptable to the Department of Health. [BFA]

**Approval conditional upon:**

1. The project must be completed within two years from the date of the Public Health and Health Planning Council recommendation letter. Failure to complete the project within the prescribed time shall constitute an abandonment of the application by the applicant and an expiration of the approval. [PMU]
2. Construction must start on or before May 1, 2020 and construction must be completed by December 1, 2020, presuming the Department has issued a letter deeming all contingencies have been satisfied prior to commencement. In accordance with 10 NYCRR Section 710.10(a), if construction is not started on or before the start date this shall constitute abandonment of the approval. It is the responsibility of the applicant to request prior approval for any changes to the start and completion dates. [PMU]
3. The applicant is required to submit Final Construction Documents, as described in BAER Drawing Submission Guidelines DSG-05, prior to the applicant's start of construction for record purposes. [AES]

Council Action Date

**February 6, 2020**

## Need and Program Analysis

### Proposal

Chautauqua Hospice and Palliative Care, an existing Article 40 hospice located at 20 West Fairmount Avenue, Lakewood, New York 14750, is seeking approval to certify a five-bed hospice residence, with supporting facilities. The Agency is currently certified to serve Chautauqua County.

Chautauqua Hospice and Palliative Care is committed to helping people remain in their homes, but often has to help place patients in skilled nursing facilities when there is no active caregiver or when the patient's home is not a safe or appropriate environment for end-of-life care. CHPC proposes to acquire and renovate a home located at 32 West Fairmount Avenue, Lakewood, New York 14750, which adjoins the current site of the CHPC administrative offices. By opening this unit, CHPC will be able to help patients meet their life closure goals of remaining in a home-like setting and avoid nursing home or hospital admissions.

In addition to renovating the home, the applicant also intends to add a 2,400 square foot addition. This space would be furnished and equipped to provide four residential units. The fifth residential unit will be located on the lower level of the house, which will also include laundry and other support service space. The applicant intends to construct a walkway or other means of connection in order to attach the proposed residential unit to the hospice's current office building. Once completed, the residential space will include: separate bedroom facilities to accommodate patient's family members as well as staff, an upgraded living room to provide social space, a kitchen sufficient to provide on-site dining, food preparation and storage, as well as other conveniences to residents, family, and staff.

Chautauqua Hospice and Palliative Care offers the following services:

Services	
Audiology	Nutritional
Bereavement	Pastoral Care
Clinical Laboratory Service	Personal Care
Home Health Aide	Pharmaceutical Service
Homemaker	Physician Services
Housekeeper	Psychology
Inpatient Services	Therapy - Occupational
Medical Social Services	Therapy - Physical
Medical Supplies Equipment and Appliances	Therapy - Respiratory
Nursing	Therapy - Speech Language Pathology

### Analysis

Hospice bed need regulations focus on inpatient hospice beds. Existing providers can construct and operate a residence with up to 16 beds with no need evaluation. Need is only a factor for new applicants, or if an existing provider is seeking inpatient or dually certified beds or more than 16 residence beds.

Chautauqua Hospice and Palliative Care reports they served 554 patients and their families in 2018, providing a total of 30,501 days of care of which 30,358 of the days of care provided were routine home care days.

The residence will be staffed with one Registered Nurse, one aide and one housekeeper on the dayshift, and with one Licensed Practical Nurse and one aide on the afternoon and night shifts. Additional staffing, including both professional and support staff, will be provided as needed.

## Conclusion

The applicant has provided sufficient supervision to prevent harm to the health, safety and welfare of patients in the proposed hospice residential setting.

## Financial Analysis

### Contract for Sale of Real Property Agreement

The applicant has submitted an executed sale/purchase agreement for the real property. The sale will close upon PHHPC approval. The sale terms are summarized below:

Date:	March 30, 2019
Premises:	Premises located at 32 Fairmount Avenue, Lakewood, New York.
Seller:	Bender Irrevocable Asset Carol L.
Purchaser:	Chautauqua Hospice and Palliative Care
Purchase Price:	\$140,000
Payment of Purchase Price:	\$2,000 deposited in escrow; \$138,000 payable at Closing.

The applicant will fund the purchase via cash at closing.

### Total Project Cost and Financing

Total project cost, which is for building acquisition, new construction and the acquisition of moveable equipment, is estimated at \$925,803, further broken down as follows:

Building Acquisition	\$140,000
New Construction	425,000
Renovation and Demolition	100,000
Design Contingency	52,500
Construction Contingency	31,250
Planning Consultant Fees	10,000
Architect/Engineering Fees	40,000
Moveable Equipment	120,000
CON Fees	2,000
Additional Processing Fee	<u>5,053</u>
Total Project Cost	\$925,803

Project costs are based on a construction start date of May 1, 2020, and a seven-month construction period. The applicant has submitted a MAI appraisal of the property valued at \$164,000 in support of the property acquisition. The cost is included at the lower of actual vs. MAI appraised value.

The applicant will finance the project via fundraising (\$500,803) and grant proceeds from the Lenna Foundation (\$400,000) and the Chautauqua Region Community Foundation (\$25,000). Letters of intent to award the grants were provided. Upon PHHPC approval of this application, the Lenna Foundation will provide \$400,000 via a pass-through fund at the Chautauqua Region Community Foundation and the Chautauqua Region Community Foundation will provide \$25,000 directly to the Hospice. As of November 7, 2019, the applicant has received \$14,650 of fundraising proceeds. As contingencies of approval, the applicant must submit documentation of receipt of the grant and fundraising proceeds.

## Operating Budget

The applicant has submitted an incremental operating budget for the five beds, in 2020 dollars, during the first and third years, summarized below:

	<u>Year One</u>		<u>Year Three</u>	
	<u>Per Day</u>	<u>Total</u>	<u>Per Day</u>	<u>Total</u>
<u>Revenues</u>				
Medicare Routine Home Care	\$155.54	\$212,312	\$155.54	\$255,086
Medicaid Room and Board	\$209.81	257,865	\$209.82	309,690
Other Revenues		<u>31,705</u>		<u>38,233</u>
Total Revenues		\$501,882		\$603,009
<u>Expenses</u>				
Operating	\$193.67	\$502,068	\$174.08	\$511,305
Capital	<u>27.81</u>	<u>72,143</u>	<u>23.73</u>	<u>73,943</u>
Total Expenses	\$221.48	\$574,211	\$197.81	\$585,248
Excess Revenues		<u>(\$72,329)</u>		<u>\$17,761</u>
<u>Utilization</u>				
Routine Home Care Days		1,365		1,640
Room and Board Days		1,229		1,476
Occupancy		74.70%		89.86%

Other revenues consist of rents from individuals not qualifying for room and board payments. However, it is anticipated that such patients will be eligible for a 75% discount based on income criteria. The hospice will utilize available funding from Northern Chautauqua Community Foundation to subsidize rent income.

Utilization, broken down by payor source, during the first and third years is as follows:

<u>Payor</u>	<u>Year One</u>	<u>Year Three</u>
Medicaid	90%	90%
Private Pay	10%	10%

## Capability and Feasibility

The total project cost of \$925,803 will be met via fundraising proceeds of \$525,803 and grants of \$400,000. As of November 7, 2019, the applicant has received \$14,650 of fundraising proceeds. As a contingency of approval, the applicant must submit documentation of receipt of fundraising proceeds and grant proceeds.

Working capital requirements are estimated at \$102,728, which is equivalent to two months of third year expenses. The applicant will provide equity from operations to meet the working capital requirement. BFA Attachment A is the 2017 and 2018 certified financial statements of Chautauqua Hospice and Palliative Care, which indicates the availability of sufficient funds for the equity contribution.

The submitted budget projects an excess of revenues over expenses of (\$72,329) and \$17,761 during the first and third years, respectively. First-year losses will be offset via operations. The submitted budget appears reasonable.

As shown on BFA Attachment A, the entity had an average positive working capital position and an average positive net asset position from 2017 through 2018. Also, the entity achieved an excess of revenues over expenses of \$338,174 from 2017 through 2018.

BFA Attachment B is the internal financial statements of Chautauqua Hospice and Palliative Care as of August 31, 2019. As shown, the entity had a positive working capital position and a positive net asset position through August 31, 2019.







**Project # 192236-E  
Glens Falls Hospital**

**Program: Hospital  
Purpose: Establishment**

**County: Warren  
Acknowledged: November 21, 2019**

**Executive Summary**

**Description**

Glens Falls Hospital (GFH), a 391-bed, voluntary not-for-profit, Article 28 acute care hospital located at 100 Park Street, Glens Falls (Warren County), is requesting approval to establish Albany Medical Center (AMC) as its active parent and co-operator. AMC is a not-for-profit corporation that is the active parent/co-operator of Albany Medical Center Hospital located at 43 New Scotland Avenue (748 beds, main campus) and 25 Hackett Boulevard (18 beds, South Clinical campus) in Albany, Columbia Memorial Hospital in Hudson (192 beds, Columbia County), and Saratoga Hospital in Saratoga (171 beds, Saratoga County). AMC also operates Albany Medical College.

Active parent status is requested as part of a proposed affiliation between AMC and GFH, as described in an Affiliation Agreement executed by both parties on October 25, 2019. The agreement creates a commitment to work together to strengthen health care service delivery to meet the clinical, financial and technological demands of the patients they serve. The affiliation will create a comprehensive, cost effective and efficient care delivery system to better serve patients in their respective communities through maintaining, expanding and enhancing the delivery of state-of-the-art health care services.

As the active parent and co-operator, AMC will have the following rights, powers and authorities with respect to GFH as described in 10 NYCRR 405.1(c):

- appointment or dismissal of hospital management level employees and medical staff, except the election or removal of corporate officers by the members of a not-for-profit corporation;
- approval of hospital operating and capital budgets;
- adoption or approval of hospital operating policies and procedures;
- approval of certificate of need applications filed by or on behalf of the hospital;
- approval of hospital debt necessary to finance the cost of compliance with operational or physical plant standards required by law;
- approval of hospital contracts for management or for clinical services; and
- approval of settlements of administrative proceedings or litigation to which the hospital is party, except approval by the members of a not-for-profit corporation of settlements of litigation that exceed insurance coverage or any applicable self-insurance fund.

OPCHSM Recommendation  
Contingent Approval

### Need Summary

This affiliation will create a comprehensive and integrated, cost-effective and efficient health care delivery system that will better serve the health care needs of the communities served by GFH and AMC through maintaining, expanding and enhancing the delivery of services.

### Program Summary

Based on the information reviewed, staff found nothing that would reflect adversely upon the applicant's character and competence or standing in the community.

### Financial Summary

There is no project cost associated with this application.

	(In 000's)	
<u>Budget</u>	<u>Year One</u>	<u>Year Three</u>
Revenue	\$338,428	\$349,816
Expense	350,014	366,773
Gain/(Loss)	(\$11,586)	(\$16,963)

## Recommendations

Health Systems Agency

There will be no HSA recommendation for this project.

Office of Primary Care and Health Systems Management

**Approval contingent upon:**

1. Submission of documentation of approval by the Office of Mental Health, acceptable to the Department. [PMU]

**Approval conditional upon:**

1. The project must be completed within one year from the date of the Public Health and Health Planning Council recommendation letter. Failure to complete the project within the prescribed time shall constitute an abandonment of the application by the applicant and an expiration of the approval. [PMU]

Council Action Date

**February 6, 2020**

## Need and Program Analysis

### Background

Glens Falls serves the counties of Warren, Washington, Essex, Hamilton and northern Saratoga County. The Hospital currently operates eighteen extension clinics providing a variety of services to residents in Warren, Washington and Saratoga Counties. Approval of this project will allow GFH and AMC to work together to continue and strengthen the high-quality health care services that each hospital delivers, and to meet the clinical, financial and technological demands of delivering health care in their respective communities. GFH will remain a separate not-for-profit corporation that operates the general acute care hospital licensed under Article 28 of the Public Health Law, maintaining its separate operating certificate following approval of this application. There will be no changes to beds or services as a direct result of this application.

### Character and Competence

The Board of Albany Medical Center is comprised of the following individuals:

<u>Name</u>	<u>Title</u>
<b>Raimundo Archibold, Jr.</b>	<b>Vice Chairman</b>
<b>James J. Barba</b>	Director
<b>Mary Gail Beibel, Ph.D.</b>	Affiliate Director
<b>Robert T. Cushing</b>	<b>Chairman</b>
<b>Joyce M. Defazio</b>	Director
<b>R. Wayne Diesel</b>	Director
<b>Sharon Duker</b>	Director
<b>Anthony Durante</b>	Affiliate Director
<b>Peter H. Elitzer</b>	<i>Director</i>
<b>Margaret Gillis, Esq.</b>	<b>Vice Chairman</b>
<b>David Golub</b>	Director
<b>Douglas M. Hamlin</b>	Director
<b>Peter H. Heerwagen</b>	Director
<b>Michael H. Iacolucci</b>	Affiliate Director
<b>James O. Jackson, Ph.D.</b>	Director
<b>Ruth Mahoney</b>	Director
<b>Morris Massry</b>	Director
<b>Lillian Moy Esq.</b>	Director
<b>John J. Nigro</b>	Director
<b>John B. O' Connor</b>	Director
<b>Steven M. Parnes, M.D.</b>	Director
<b>Daniel T. Pickett III</b>	Director
<b>Havidan Rodriguez, Ph.D.</b>	Director
<b>Theresa Skaine</b>	Affiliate Director
<b>Janice Smith</b>	Director
<b>Jeffrey Sperry</b>	Director
<b>Carolyn Stefanco, Ph D.</b>	Director
<b>Jeffrey Stone</b>	<b>Vice Chairman &amp; Secretary</b>
<b>Todd Tidgewell</b>	Director
<b>Omar Usmani</b>	Director
<b>Candace King Weir</b>	Director
<b>Janice White</b>	Affiliate Director

**Dr. Parnes** disclosed the following: being named in three medical malpractice cases. In the first case, filed on February 21, 2017, the patient alleged an error related to a procedure/test/treatment. The claim remains open. In the final case, the patient alleged right and left stapedectomy was performed negligently, causing a loss of taste and tongue sensitivity. The case remains open.

**Mr. Rodriguez** disclosed being named a defendant in a civil action concerning Civil Rights Action alleging age discrimination and violations of academic freedom while in the official capacity as President of the University at Albany.

**Ms. Weir** disclosed several law suits and proceedings. The first is a civil suit filed on March 28, 2013. Claimant asserts that Ms. Weir, in her capacity as control person, had a duty to analyze, determine and notify the claimant regarding potential risks in the account managed on a discretionary basis by the unaffiliated advisor. Ms. Weir denies the claims. In a second case, Ms. Weir disclosed being named in a civil law suit by a former employer, who claims he was discharged in violation of Dodd-Frank Act for providing information to the Securities and Exchange Commission. The employee voluntarily dismissed the complaint without prejudice on December 4, 2012. The employee then submitted a claim for arbitration with FINRA and on April 23, 2014 the parties mediated the dispute and reached a settlement. The third action was an Adversary Proceeding regarding Ordway Research Institute, Inc. As a Director, Ms. Weir was named as a defendant, with the matter resolved on October 10, 2011. The fourth action, occurring June 16, 2014, was a Securities Exchange Commission Administrative Proceeding. Paradigm Capital Management Inc. and Ms. Weir settled an administrative proceeding with the Securities Exchange Commission. Ms. Weir agreed in the future to cease and desist from violating Section 203(6) of the Investment Advisers Act, which relates to requisite disclosures and consents regarding certain related - party transactions.

**Mr. Durante** disclosed interest in the facilities listed below:

**Troy Center for Nursing and Rehabilitation (formerly known as The Springs Nursing and Rehabilitation Center)**

- The Department issued a Stipulation and Order (S&O) dated January 13, 2016 and fined Troy Center for Nursing and Rehabilitation \$10,000 based on an investigation that was completed on April 3, 2012. Deficient practice was identified in Quality of Care-Residents are Free of Significant Medication Errors. The facility did not ensure adequate monitoring of a resident who has Multiple Sclerosis her Baclofen (used to reduce spasms) pump (a device placed under the skin used to administer a preset dosage of medication). The pump ran out of the medication and the resident required hospitalization.
- The Department issued a Stipulation and Order (S&O) dated January 13, 2016 and fined Troy Center for Nursing and Rehabilitation \$10,000 based on an investigation that was completed on September 17, 2013. Deficient practice was identified in Quality of Care-Provide Care/Services for Highest Well Being. The facility did not provide the necessary care and services to attain or maintain the highest practicable physical, mental, and psychosocial well-being in accordance with the comprehensive assessment and plan of care for one resident. Specifically, the resident was complaining of severe pain throughout the night, and the physician was not notified until later the following morning at which time the resident was sent to the emergency room (ER) for evaluation with a diagnosis of sepsis.
- The Department issued a Stipulation and Order (S&O) dated September 17, 2012 and fined Troy Center for Nursing and Rehabilitation \$4,000 based on an investigation that was completed on April 1, 2011. Deficient practice was identified in the following area: Resident Behavior and Facility Practices- Investigate/Report Allegations/Neglect. The facility failed to ensure that all reports of potential abuse/neglect were investigated in a thorough and timely manner to ensure that the resident remained safe and that services were delivered in accordance to the resident's plan of care and prevent the possibility of further abuse/neglect which poses a serious risk to resident safety.

**Slate Valley Center for Rehabilitation and Nursing (formerly known as The Orchard Nursing and Rehabilitation)**

- *The Department issued a Stipulation and Order (S&O) dated January 13, 2016 and fined Slate Valley Center for Rehabilitation and Nursing \$6,000 based on an investigation that was completed on September 18, 2014. The Deficient practice was identified in the following areas: 1. Resident Behavior and Facility Practices-Investigate/Report Allegations/Neglect- The facility failed to ensure that all alleged violations including mistreatment, neglect, or abuse, including injuries of unknown origin were reported immediately to the Administrator of the facility. Additionally, the facility failed to investigate a report of verbal abuse between a supervisor and a resident supervisor continued to work at the facility. 2. Administration/Resident Well Being, and Quality. The facility failed to ensure it was administered in a manner that enabled it to use its resources effectively administered in a manner that enabled it to use its resources effectively and efficiently to attain or maintain the highest practicable physical, mental, and psychosocial well-being of each resident. Quality Assurance Agency (QAA) Committee Members/Meet Quarterly/Meet Quarterly Plans. The facility Quality Assurance (QA) Program did not have a process that readily identified issues that had the potential to cause serious harm to residents.*
- *The Department issued a Stipulation and Order (S&O) dated January 13, 2016 and fined Slate Valley Center for Rehabilitation and Nursing \$6,000 based on an investigation that was completed on November 12, 2013. Deficient practice was identified in the following areas: Quality of Care- Residents are Free of Significant Med Errors- the facility failed to ensure that newly admitted resident's and re-admitted residents received significant medications and treatments. The omission of medications and Insulin Finger sticks were not recognized by the staff. Administration- Effective Administration/Resident Well Being, and Quality. The facility failed to ensure it was administered in a manner that enabled it to use its resources effectively and efficiently to attain or maintain the highest practicable physical, mental, and psychosocial well-being of each resident. Quality Assurance Agency (QAA) Committee Members/Meet Quarterly/Meet Quarterly Plans. The facility Quality Assurance (QA) Program did not have a process that readily identified issues that had the potential to cause serious harm to residents.*

Additionally, the staff from the Division of Certification & Surveillance reviewed the ten-year surveillance history of all associated facilities. Sources of information included the files, records, and reports found in the Department of Health. Included in the review were the results of any incident and/or complaint investigations, independent professional reviews, and/or comprehensive/focused inspections. The review found that any citations were properly corrected with appropriate remedial action.

#### Conclusion

There will be no changes to beds or services as a result of this application. The individual background review indicates the proposed board members have met the standards for approval.

## Financial Analysis

### Financial Analysis

There is no purchase price and no costs associated with this project. Upon completion, GFH will remain a separate not-for-profit corporation maintaining its discrete Article 28 operating certification.

### Operating Budget

The applicant has submitted their current year (2018) operating budget, and the first- and third-year budgets, in 2020 dollars, after approval of AMC as active parent, summarized below:

	<i>(In Thousands)</i>					
	Current Year (2018)		Year One		Year Three	
	<u>Per Disch.</u>	<u>Total</u>	<u>Per Disch.</u>	<u>Total</u>	<u>Per Disch.</u>	<u>Total</u>
<u>Inpt Revenue</u>						
Comm FFS	\$13,032	\$25,270	\$9,763	\$16,842	\$9,960	\$17,181
Comm MC	\$13,033	\$17,086	\$9,764	\$11,385	\$9,960	11,613
Medicare FFS	\$9,167	\$36,264	\$9,764	\$34,349	\$9,960	35,039
Medicare MC	\$9,432	\$29,135	\$9,764	\$26,821	\$9,960	27,360
Medicaid FFS	\$4,476	\$2,171	\$9,763	\$4,208	\$9,961	4,293
Medicaid MC	\$5,324	\$12,479	\$9,768	\$20,357	\$9,960	20,767
Private Pay	\$5,983	\$718	\$9,766	\$1,045	\$9,963	1,066
Other	\$10,309	<u>\$567</u>	\$9,755	<u>\$478</u>	\$9,959	<u>488</u>
Total Inpt Rev.		\$123,690		\$115,485		\$117,807
<u>Outpt Revenue</u>	<u>Per Visit</u>	<u>Total</u>	<u>Per Visit</u>	<u>Total</u>	<u>Per Visit</u>	<u>Total</u>
Comm FFS	\$1,084	\$52,101	\$1,565	\$60,568	\$1,628	\$63,015
Comm MC	\$1,084	\$32,681	\$1,565	\$37,992	\$1,628	\$39,527
Medicare FFS	\$707	\$40,412	\$1,036	\$46,665	\$1,054	\$48,550
Medicare MC	\$631	\$30,684	\$910	\$35,670	\$947	\$37,111
Medicaid FFS	\$600	\$1,515	\$792	\$1,610	\$902	\$1,832
Medicaid MC	\$599	\$18,378	\$864	\$21,364	\$899	\$22,228
Private Pay	\$76	\$2,294	\$110	\$2,678	\$114	\$2,775
Other	\$794	<u>\$2,505</u>	\$1,038	<u>\$2,639</u>	\$1,192	<u>\$3,030</u>
Total Outpt Rev		\$180,570		\$209,186		\$218,068
Other Op Rev		\$15,943		\$13,032		\$13,216
Non-Op Rev		<u>\$34,865</u>		<u>\$725</u>		<u>\$725</u>
Total Revenue		\$355,068		\$338,428		\$349,816
<u>Inpt Expenses</u>	<u>Per Disch.</u>	<u>Total</u>	<u>Per Disch.</u>	<u>Total</u>	<u>Per Disch.</u>	<u>Total</u>
Operating	\$9,494	\$126,265	\$8,680	\$102,668	\$9,154	\$108,273
Capital	<u>\$715</u>	<u>\$9,508</u>	<u>\$660</u>	<u>\$7,809</u>	<u>\$633</u>	<u>\$7,493</u>
Inpt Expenses	\$10,209	\$135,773	\$9,340	\$110,477	\$9,787	\$115,766
<u>Outpt Expenses</u>	<u>Per Visit</u>	<u>Total</u>	<u>Per Visit</u>	<u>Total</u>	<u>Per Visit</u>	<u>Total</u>
Operating	\$819	\$205,320	\$1,103	\$222,607	1,163	\$234,761
Capital	\$62	<u>\$15,461</u>	<u>\$84</u>	<u>\$16,930</u>	<u>80</u>	<u>\$16,246</u>
Outpt Expenses	\$881	\$220,781	\$1,187	239,537	\$1,243	251,007
Total Expenses		\$356,554		\$350,014		\$366,773
Excess Rev over Exp		<u>(\$1,486)</u>		<u>(\$11,586)</u>		<u>(\$16,957)</u>
Discharges		13,299		11,828		11,828
Visits		250,625		201,879		201,879



The following is noted with respect to the submitted operating budget:

- Non-operating revenues are decreasing due to the current year (2018) having one-time gains related to the Gain on Sale of Dialysis Program of \$24,939,300 and Gain on Settlement of \$8,804,752.
- Other operating revenue is decreasing due to the elimination of DSRIP funding and the reduction of investment income.
- Outpatient private pay revenues consists of net expected reimbursement, net of bad debt and charity care and self-pay discounts.
- Payor increases are based on negotiated commercial/managed care contracts currently in place and renegotiations expected based on normal operations, typical of both inpatient and outpatient service lines. There are no reimbursement rate assumptions related to the affiliation.
- Discharges are decreasing due to the previous closure of inpatient rehabilitation beds and decreasing inpatient volume trends in general for the hospital, unrelated to the affiliation. Outpatient visits are decreasing due to the transition of behavioral health services to a different entity, unrelated to the affiliation.
- Utilization by payor during the current year, first year and the third year is as follows:

<u>Inpatient</u>	<u>Current Year</u>	<u>Year One</u>	<u>Year Three</u>
Commercial FFS	14.58%	14.58%	14.58%
Commercial MC	9.86%	9.86%	9.86%
Medicare FFS	29.75%	29.74%	29.74%
Medicare MC	23.23%	23.22%	23.22%
Medicaid FFS	3.65%	3.64%	3.64%
Medicaid MC	17.63%	17.63%	17.63%
Private Pay	0.90%	0.90%	0.90%
Other	0.41%	0.41%	0.41%
Total	100.00%	100.00%	100.00%

<u>Outpatient</u>	<u>Current Year</u>	<u>Year One</u>	<u>Year Three</u>
Commercial FFS	19.17%	19.27%	19.27%
Commercial MC	12.03%	12.08%	12.08%
Medicare FFS	22.81%	22.42%	22.42%
Medicare MC	19.42%	19.51%	19.51%
Medicaid FFS	1.01%	1.01%	1.01%
Medicaid MC	12.24%	12.30%	12.31%
Private Pay	12.07%	12.13%	12.13%
Other	1.26%	1.27%	1.27%
Total	100.00%	100.00%	100.00%

### Capability and Feasibility

There are no issues of capability as there are no project costs associated with this application. The submitted budget indicates a loss of \$11,586,000 and \$16,957,000 during the first and third years, respectively, which when compared to a normalized 2018 loss of \$35,230,000, calculated by excluding the one-time revenues noted of \$33,744,052, is a significant improvement and restores positive cashflow to the applicant. Revenues are based on current reimbursement methodologies. The submitted budget appears reasonable.

BFA Attachment A is the 2017 and 2018 certified financial statements of Albany Medical Center and Related Entities. As shown, the entity had an average positive working capital position and an average positive net asset position from 2017 through 2018. Also, the entity achieved an average excess of revenues of \$21,971,000 from 2017 through 2018.

BFA Attachment B is the 2017 and 2018 certified financial statements of Glens Falls Hospital. As shown, the entity had an average positive working capital position and an average positive net asset position from 2017 through 2018. Also, the entity incurred an average net loss of \$21,831,256 from 2017 through 2018. The applicant indicated that the reason for the losses are as follows: Glens Falls Hospital has experienced rapid decline in volume for key service areas (e.g., surgical volume decreased 24% between 2015 and 2018) and continues to experience a disproportionate share of government payors compared to its peers due to demographics of the hospital's primary and secondary market. The decrease in volume

and shift in payor mix has led to serious financial challenges. The hospital implemented the following steps to improve operations: engaged a third-party consultant to assist in an operational performance improvement engagement, focused on strong expense management and revenue cycle optimization. The proposed affiliation with AMC is an essential long-term strategy to further enhance financial sustainability through resident health planning and system integration.

The applicant has demonstrated the capability to proceed in a financially feasible manner.

## Attachments

- BFA Attachment A Financial Summary - 2017 and 2018 certified financial statements of Albany Medical Center and Related Entities
- BFA Attachment B Financial Summary - 2017 and 2018 certified financial statements of Glens Falls Hospital
- BFA Attachment C Organizational Chart- Albany Medical Center post-closing



Project # 192158-E
Congregational SNF LLC d/b/a New York Congregational Nursing Center, Inc.

Program: Residential Health Care Facility
Purpose: Establishment

County: Kings
Acknowledged: September 27, 2019

Executive Summary

Description

Congregational SNF LLC d/b/a New York Congregational Nursing Center, a New York limited liability company, requests approval to be established as the new operator of New York Congregational Nursing Center, Inc., a 200-bed, voluntary not-for-profit, Article 28 residential health care facility (RHCF) located at 135 Linden Boulevard, Brooklyn (Kings County). New York Congregational Nursing Center, Inc. (NYCNC) is the current operator and real property owner of the facility. A separate entity, 135 Linden Blvd, LLC will acquire the real property. There will be no change in beds or services provided.

On October 23, 2018, NYCNC entered into an Asset Purchase Agreement (APA) with Congregational SNF LLC for the sale and acquisition of the RHCF operating interests. The purchase price for the RHCF operations is the assumption of certain liabilities arising after the effective date of December 1, 2018, as revised per the draft First Amendment to the executed APA. Concurrently, NYCNC entered into a Real Estate Purchase Agreement (REPA) with 135 Linden Blvd LLC, a Delaware limited liability company, for the sale and acquisition of the real property for \$40,000,000. The APA and REPA will close at the same time upon Public Health and Health Planning Council (PHHPC) approval. There is no common ownership between Congregational SNF LLC and 135 Linden Blvd LLC. However, there is a familial relationship between a proposed operating entity member, Elky Hoffman, and the proposed landlord in that she is the daughter of Abraham J. Hoffman, a 50% member of JHSL 135

PROPCO LLC, a New York limited liability company that is a 50% member of 135 Linden Blvd LLC, the proposed landlord. The applicant will lease the premises.

Ownership of the operations before and after the requested change is as follows:

Table with 1 column: Current Operator. Row: New York Congregational Nursing Center, Inc. Not-For-Profit Corporation (100%)

Table with 1 column: Proposed Operator Congregational SNF, LLC. Sub-section: Members. Rows: Eliezer Jay Zelman (50%), JHSL 135 OPCO LLC (50%), Elky Hoffman (100%)

The APA includes the purchase of a Certified Home Health Agency (CHHA) and Long-Term Home Health Care Program (LTHHCP) that were operated by New York Congregational Nursing Center, Inc. However, the CON does not include these programs because the CHHA closed effective March 26, 2019 and the LTHHCP is in the process of being closed. There were no revenues from these programs during 2018.

NYCNC has experienced recurring operating losses for several years they state are the result of negative rate adjustments and other operating expenses associated with having a single facility. Attempts to become financially viable were not sufficient and the board determined continued operations were problematic. NYCNC

had entered into discussions with another nonprofit RHCF, but a satisfactory agreement was not reached. NYCNC then undertook an extended selection process resulting in an APA with Congregational SNF, LLC. Simultaneously, NYCNC entered into a REPA for the real property sale with 135 Linden Blvd LLC. The sale proceeds will be used to pay any outstanding obligations of NYCNC. The remainder, estimated at \$35 million, is likely to be divided between a field-of-interest fund operated by the Brooklyn Community Foundation and a foundation formed by the conversion of New York Congregational Community Services, NYCNC's parent, into a private foundation, or a new foundation entity. The focus will continue to be addressing the needs of the frail elderly in Brooklyn. There are no restrictions on the property regarding its use or ownership.

OPCHSM Recommendation  
Contingent Approval

Need Summary

There will be no impact to beds, services, or utilization through this project. The facility and the County have maintained a steady occupancy around the department's planning optimum of 97% for 2012 to 2016 with a slight decline in 2017 and 2018 to 93% and 94%.

Program Summary

The individual background review indicates the proposed members have met the standard for approval as set forth in Public Health Law §2801-a(3).

Financial Summary

There are no project costs associated with this proposal. The purchase price for the RHCF operations is the assumption of certain liabilities arising after December 1, 2018. Currently, there are no assumed liabilities as current obligations decreased from December 1, 2018 through September 30, 2019. The purchase price for the realty is \$40,000,000 to be funded by 135 Linden Blvd, LLC via \$8,000,000 members' equity and a \$32,000,000 mortgage at 3.75% interest for a 30-year term self-amortized over 30 years. Housing & Healthcare Finance, LLC has provided a letter of interest at the stated terms.

<u>Budget</u>	<u>Year One</u>	<u>Year Three</u>
Revenues	\$26,696,906	\$27,003,920
Expenses	<u>\$26,662,325</u>	<u>\$26,882,345</u>
Net Income	\$34,581	\$21,575

## Recommendations

Health Systems Agency

There will be no HSA recommendation for this project.

Office of Primary Care and Health Systems Management

**Approval contingent upon:**

1. Submission of a commitment signed by the applicant which indicates that, within two years from the date of the council approval, the percentage of all admissions who are Medicaid and Medicare/Medicaid eligible at the time of admission will be at least 75 percent of the planning area average of all Medicaid and Medicare/Medicaid admissions, subject to possible adjustment based on factors such as the number of Medicaid patient days, the facility's case mix, the length of time before private paying patients became Medicaid eligible, and the financial impact on the facility due to an increase in Medicaid admissions. [RNR]
2. Submission of an executed loan commitment for the purchase of the real property, acceptable to the Department of Health. [BFA]
3. Submission on an executed first amendment to the asset purchase agreement, acceptable to the Department of Health. [BFA]
4. Submission of an executed lease agreement, acceptable to the Department of Health. [BFA]
5. Submission of a photocopy of JHSL 135 Opc LLCs amended and executed Operating Agreement, acceptable to the Department. [CSL]
6. Submission of a photocopy of JHSL 135 Opc LLCs amended and executed Articles of Organization, acceptable to the Department. [CSL]
7. Submission of a photocopy of the applicants amended and executed Articles of Organization, acceptable to the Department. [CSL]
8. Submission of a photocopy of an amended and executed Lease Agreement, acceptable to the Department. [CSL]

**Approval conditional upon:**

1. The project must be completed within one year from the date of the Public Health and Health Planning Council recommendation letter. Failure to complete the project within the prescribed time shall constitute an abandonment of the application by the applicant and an expiration of the approval. [PMU]

Council Action Date

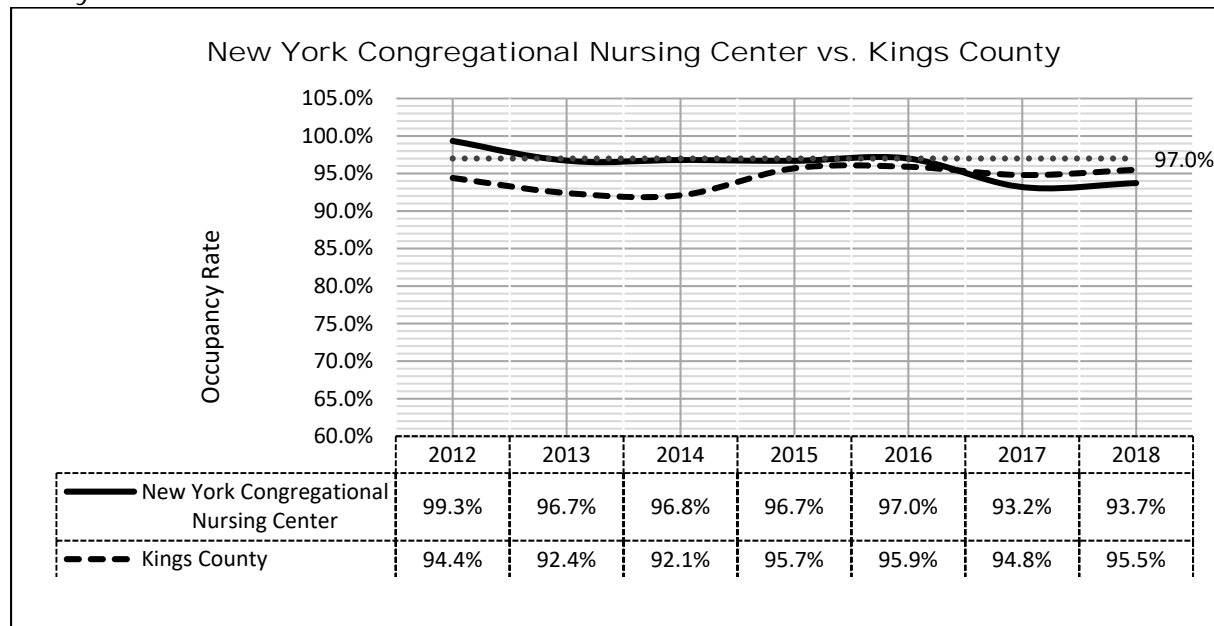
**February 6, 2020**

## Need and Program Analysis

### Facility Information

	<b>Existing</b>	<b>Proposed</b>
Facility Name	NY Congregational Nursing Center, Inc	New York Congregational Nursing Center
Address	135 Linden Blvd Brooklyn, NY 11226	Same
RHCF Capacity	200	Same
ADHC Capacity	N/A	N/A
Type of Operator	Voluntary	Limited Liability Company
Class of Operator	Not-for-profit	Proprietary
Operator	New York Congregational Nursing Center, Inc.	Congregational SNF LLC <u>Membership</u> *Eliezer Jay Zelman 50% JHSL 135 OPCO LLC 50% Elky Hoffman (100%) <i>*Managing Member</i>

### Analysis



### Medicaid Admissions

Regulations indicate that the Medicaid patient admissions standard shall be 75% of the annual percentage of all Medicaid admissions for the long-term care planning area in which the applicant facility is located. Such planning area percentage shall not include residential health care facilities that have an average length of stay 30 days or fewer. If there are four or fewer residential health care facilities in the planning area, the applicable standard for a planning area shall be 75% of the planning area percentage of Medicaid admissions, or of the Health Systems Agency area Medicaid admissions percentage, whichever is less. In calculating such percentages, the Department will use the most current data which have been received and analyzed by the Department. An applicant will be required to make appropriate adjustments in its admission policies and practices so that the proportion of its own annual Medicaid patient's admissions is at least 75% of the planning area percentage or the Health Systems Agency percentage, whichever is applicable.

New York Congregational Nursing Center exceeded the Medicaid threshold values for both 2017 and 2018.

	2017	2018
New York Congregational Nursing Center <b>Admissions</b>	59.4%	82.5%
Kings County <b>75% Threshold</b>	27.7%	27.7%

#### Character and Competence

**Eliezer Jay Zelman** is currently employed at Riverdale SNF, LLC d/b/a Schervier Nursing Care Center as CEO since June of 2017. He is also employed as Regional Director of Operations for Global Healthcare Service Group located in NJ since March 2013. Mr. Zelman holds a Master of Science degree from Fordham University. Mr. Zelman discloses the following health facility interests:

##### New York State

Achieve Rehab and Nursing Center (9.99%)	01/2005 – present
Schervier Nursing Care Center (10%)	06/2017 – present

##### Out of State Interest

Freedom Home Dialysis, LLC d/b/a Compass Home Dialysis (7%) [PA]	03/2017 – present
This ownership interest is through 100% ownership in EJZ Health Mgt LLC	

##### Pending

A change in ownership of Buena Vida Rehabilitation and Nursing Center (CON 182060) was approved by PHHPC on 03/28/2019 but has not yet completed. Mr. Zelman will have 10% interest upon completion.

**Elky Hoffman** is currently a student at Long Island University pursuing a master's degree in Social Work. Ms. Hoffman discloses no health facility interests.

#### Quality

Facility	Ownership Since	Overall	Health Inspection	Quality Measure	Staffing
<b>New York</b>					
NY Congregational Nursing Center, Inc	Subject Facility	*****	****	*****	**
Schreiver Rehabilitation and Nursing Center	Current	****	****	****	**
	06/2017	*****	****	*****	***
Achieve Rehab and Nursing Facility	Current	***	***	***	**
	2005 Data 01/2009	***	**	***	****

**Data date:** 12/2019

The Bureau of Quality Assurance and Surveillance indicates that there were no enforcements for the New York facilities under review for the relevant time period.

The applicant has submitted an affidavit regarding the out of state facility interest of Freedom Home Dialysis, indicating that there were no enforcements for the facility for the relevant time period.

#### Project Review

No changes in the program or physical environment are proposed in this application. The applicant has indicated there will be no administrative services or consulting agreements.

## Conclusion

All health care facilities are in substantial compliance with all rules and regulations. The individual background review indicates the applicants have met the standard for approval as set forth in Public Health Law §2801-a(3).

## Financial Analysis

### Asset Purchase Agreement

The applicant has submitted an executed APA to acquire the RHCF's operating interests, to be effectuated upon PHHPC approval. The terms are summarized below:

Date:	October 23, 2018
Seller:	New York Congregational Nursing Center, Inc.
Buyer:	Congregational SNF LLC
Asset Acquired:	Rights, title and interest in the business assets forward from the effective date of APA: all cash, deposits, cash equivalents and short term investments on hand as of the Closing Date; all accounts receivable, checking, savings and operating accounts related to business; all vendor and service contracts; all tangible assets, inventory, instruments, tools, vehicles, furniture/office equipment, fixtures, leasehold improvements; all books and records; assigned & assumed contracts, agreements, warranties, intellectual property rights, domain names and addresses, Medicaid and Medicare provider numbers; assignable licenses and permits; trade name; resident funds; security deposits for future services; patient/employee records; manuals and computer software; phone/telefax numbers and goodwill.
Excluded Assets:	Any cash or cash equivalents on-hand as of the effective date, and any cash or cash equivalents received by the Company prior to the Closing date that was earned prior to the effective date. All prepaid expenses, advance payments, security deposits, other prepaid items and duties related to any excluded assets; all tax returns, tax records, financial statements of seller, the property, any money or property acquired by seller after the effective date by bequest, gift or charitable donation.
Assumption of Liabilities:	Purchaser shall assume only the following liabilities as of the effective date; the accounts payable arising after the effective date, capital expenditures, all liabilities of the company under the assigned contract and relating to any business assets after the effective date, all liabilities expressly assumed by purchaser.
Purchase Price:	Assumption of the certain liabilities arising after the effective date (Amended 12/01/2018) of APA. (As of September 30, 2019, there are no liabilities).
Payment of Purchase Price:	No liabilities arise and assumed

### First Amendment to Asset Purchase Agreement

The applicant has provided a draft first amendment to asset purchase agreement. The terms are summarized below:

Purchaser:	Congregational SNF, LLC
Seller:	New York Congregational Nursing Center
Amendment:	The effective date of asset purchase agreement is amended to December 1, 2018.

The purchase price for the RHCF's operation is the assumption of certain liabilities that arise after the effective date of the APA. There are no assumed liabilities as the current obligations decreased from December 1, 2018 through September 30, 2019. BFA Attachment C shows the RHCF's total current liabilities as of December 1, 2018 and September 30, 2019.

The applicant has submitted an original affidavit, which is acceptable to the Department, in which the applicant agrees, notwithstanding any agreement, arrangement or understanding between the applicant



and the transferor to the contrary, to be liable and responsible for any Medicaid overpayments made to the facility and/or surcharges, assessments or fees due from the transferor pursuant to Article 28 of the Public Health Law with respect to the period of time prior to the applicant acquiring its interest, without releasing the transferor of its liability and responsibility. As of December 20, 2019, the facility had no outstanding Medicaid liabilities.

#### Purchase and Sale Agreement for the Real Property

The applicant has submitted an executed REPA for the sale of the RHCF's real property. The REPA will close concurrent with the APA upon PHHPC approval of this CON. The terms are summarized below:

Date:	October 23, 2018
Seller:	New York Congregational Nursing Center, Inc.
Buyer:	135 Linden Blvd LLC
Asset Transferred:	RHCF's Property located at 135 Linden Boulevard, Brooklyn
Purchase Price:	\$40,000,000
Payment of Purchase Price:	\$2,000,000 Deposit in Escrow; \$38,000,000 Balance at closing

The purchase price of the real property is proposed to be satisfied as follows:

Equity – 135 Linden Blvd LLC Members	\$8,000,000
Loan (interest at 3.75%, 30 years, 30-year amortization)	<u>32,000,000</u>
Total	\$40,000,000

Housing and Healthcare Finance, LLC has provided a letter of interest.

BFA Attachment A is the net worth summary for the proposed members of Congregational SNF LLC (operator) and 135 Linden Blvd LLC (real property owner), which reveals sufficient resources to meet the equity requirement for the project. It is noted that liquid resources may not be available in proportion to the proposed ownership interest in the realty. Abraham Hoffman has provided an affidavit stating that he is willing to contribute resources disproportionate to his membership interest in the realty entity to meet the equity requirements for this project.

The applicant confirmed that the consulting service agreement the current operator has with Congregational Consulting LLC will be discontinued after CON approval.

#### Lease Agreement

The applicant submitted a draft lease agreement, the terms of which are summarized below:

Premises:	200-bed SNF located at 135 Linden Blvd, Brooklyn, NY 11226
Landlord:	135 Linden Blvd LLC
Lessee:	Congregational SNF LLC
Term:	10 Years
Rental:	\$2,400,000 per annum (\$200,000 per month)
Provisions:	Tenant will be responsible for taxes, insurance, utilities and maintenance

The lease arrangement is a non-arm's length agreement. The applicant has submitted an affidavit attesting to the relationship between the landlord and the operating entity.

## Operating Budget

The applicant has provided the current year (2018) results with the first and third-year operating budgets subsequent to the change in ownership, in 2020 dollars, summarized as follows:

	Current Year		Year One		Year Three	
	Per Diem	Total	Per Diem	Total	Per Diem	Total
<u>Revenues</u>						
Medicaid-FFS	\$290.03	\$10,893,116	\$292.84	\$9,262,157	\$292.84	\$9,368,672
Medicaid-MC	\$289.02	\$6,525,239	\$278.20	\$5,289,340	\$278.21	\$5,350,167
Medicare-FFS	\$660.94	\$2,838,076	\$660.92	\$8,309,062	\$660.95	\$8,404,616
Medicare-MC	\$567.88	\$1,641,183	\$567.87	\$2,447,532	\$567.82	\$2,475,679
Private Pay	\$288.78	\$317,075	\$288.90	\$726,015	\$288.67	\$734,364
Other Revenue		\$453,605		\$0		\$0
Assessment Rev.		\$0		\$662,800		\$670,422
Total		\$22,668,294		\$26,696,906		\$27,003,920
<u>Expenses</u>						
Operating	\$369.58	\$25,286,110	\$344.88	\$24,154,490	\$344.06	\$24,374,510
Capital	\$10.84	\$741,422	\$35.81	\$2,507,835	\$35.40	\$2,507,835
Total Expenses	\$380.42	\$26,027,532	\$380.69	\$26,662,325	\$379.46	\$26,882,345
Net Income (Loss)		<u>(\$3,359,238)</u>		<u>\$34,581</u>		<u>\$121,575</u>
Patient Days		68,418		70,037		70,843
Utilization %		94%		96%		97%

\*Other Revenues includes Discounts, Abstract Fees, Vending Machine, and Miscellaneous income.

The following is noted with respect to the submitted RHCF operating budget:

- The current year reflects the facility's 2018 revenues and expenses.
- Medicaid revenue is based on the facility's current 2019 Medicaid Regional Pricing rate. The Medicaid Managed Care rate is based on an assumed 95% of the Medicaid FFS rate. The Medicare and Private Pay rates are the actual daily rates experienced by the facility during 2018 and expected to remain constant in Year One and Year Three.
- The applicant's operating budget involves a reduction in Medicaid utilization (from 87.9% in 2018 to 72.3% in Years One and Three) along with a corresponding increase in Medicare utilization as the result of the planned increased focus on the provision of rehabilitation services. The applicant states that no existing Medicaid residents will be displaced from the facility as a result of this plan.
- Expense and staffing assumptions were based on the 2018 operating expenses, adjusted for inflation and to reflect the closure of the Certified Home Health Care Agency (CCHA) and the Long-term Home Health Care Program (LTHHCP).
- The facility's projected utilization for Year One is 96% and for Year Three is 97%. It is noted that utilization for the past three years has averaged 95% and 95.2% through May 31, 2019. Occupancy was 95% as of December 4, 2019. The applicant plans to improve occupancy by various measures including:
  - Development of census and enhancement of quality mix via centralized and coordinated management, modern billing and receivables collection systems, community outreach and collaboration with local hospitals to increase Medicare utilization;
  - Capitalizing on being close to Wyckoff Heights Medical Center to increase the number rehabilitation referrals going forward (met with Wyckoff's CEO, Chief Medical Officer and Director of Social Services to develop a plan to reduce readmissions to the hospital's Emergency Department);
  - Implement a 24-hour-per-day, 7-day-per-week admissions protocol to ensure the hospital's discharge planners have easy access to the facility;
  - Renovate portions of the facility to improve the cosmetics and function of the building;
  - Develop marketing initiatives including a new website; and
  - Add experienced staff to help stabilize operations.

- Utilization by payor is summarized below:

Payor	Current Year		Year One		Year Three	
	Pt Days	%	Pt Days	%	Pt Days	%
Medicaid-FFS	37,559	54.90%	31,629	45.16%	31,992	45.16%
Medicaid-MC	22,577	33.00%	19,013	27.15%	19,231	27.15%
Medicare-FFS	4,294	6.28%	12,572	17.95%	12,716	17.95%
Medicare-MC	2,890	4.22%	4,310	6.15%	4,360	6.15%
Private Pay	<u>1,098</u>	<u>1.60%</u>	<u>2,513</u>	<u>3.59%</u>	<u>2,544</u>	<u>3.59%</u>
Total	68,418	100%	70,037	100%	70,843	100%

- Breakeven utilization is projected at 95.82% for the first year.

### Capability and Feasibility

The purchase price of the RHC operation is the assumption of certain current liabilities that arise after the effective date of the APA (December 1, 2018). There are no assumed liabilities as the current obligations decreased from December 1, 2018 through September 30, 2019. BFA Attachment C shows the RHC's total current liabilities as of December 1, 2018 and September 30, 2019. The purchase price for the realty is \$40,000,000, to be funded by 135 Linden Blvd, LLC via \$8,000,000 members' equity and a \$32,000,000 mortgage at stated terms. Housing & Healthcare Finance, LLC has provided a letter of interest.

The working capital requirement is estimated at \$4,443,721 based on two months of first-year expenses and will be funded via assumed cash of \$1,846,655 (per the APA, the cash increase from December 1, 2018 through September 30, 2019 will be assumed) and the remaining \$2,597,066 will be funded via member's equity. BFA Attachment A, proposed members net worth summaries, reveals sufficient resources to meet equity requirements. As previously stated, liquid resources for real property transaction may not be available in proportion to ownership interest. As the result of potential equity shortfall, Abraham Hoffman has provided an affidavit stating his willingness to contribute necessary resources disproportionate to his membership interest in the realty entity.

The submitted budget projects a first-year and third-year profit of \$34,581 and \$121,575, respectively. Total revenues are expected to increase by \$4,028,612 in Year One. Overall, expenses are expected to increase by \$634,793 based on a \$1,131,620 reduction in operating expense and a \$1,766,413 increase in capital expense (primarily rent). The decline in operating expenses is attributable to the following: a reduction in salary and wages of \$234,907 related to a staff reduction of 3.4 FTEs; a \$735,268 reduction in professional fees; a \$212,227 reduction in purchased services; a \$40,773 reduction in other direct expenses; and offset by a \$91,555 increase in expenses spread between medical and non-medical supplies, employee benefits and utilities. BFA Attachment D is the pro forma balance sheet of Congregational SNF LLC and 135 Linden Blvd LLC, which shows the operating entity will start with \$4,443,721 in member's equity which includes \$1,846,655 in assumed cash, and the realty entity will start with \$8,000,000 in members' equity. The budget appears reasonable.

BFA Attachment E is the Financial Summary of New York Congregational Nursing Center, Inc. for 2016 through 2018. The RHC had an average negative net income of \$3,397,936 and positive average net assets of \$451,797 and an average positive working capital of \$768,378 during the reporting periods. BFA Attachment F is their internal financial statements as of June 30, 2019, which show positive working capital, negative net assets, and positive earnings before interest, taxes, depreciation, amortization, rent, and management fees (EBITDARM) of \$1,184,889.

BFA Attachment G is the ownership interest and financial summary of Mr. Zelman's NY affiliated RHCs, which shows the following:

- Riverdale/Scheriver Rehab & Nursing Center shows negative working capital and negative net assets and an operating loss during 2017 and 2018 due to lower than expected occupancy and a higher than expected level of accounts payable, which the facility expects to pay down. The facility shows positive operating income during 2019 and expects its working capital to be positive within the near term.

- Achieve Rehab and Nursing facility shows negative working capital during 2016, 2017 and in 2018 due to the fact the facility was required to record \$2,089,578 current liability relating to an insurance overpayment received during 2016. The facility expects to remove this liability from its books in near terms as the statute of limitations relating to this overpayment will expire soon and the working capital will then be positive. The facility shows net operating loss in year 2016 and 2018 due to lower than expected occupancy. The facility shows positive operating income in year 2017. The facility's occupancy has improved during 2019 and expects positive operating income by the end of 2019.

## Attachments

BFA Attachment A	Proposed Members Net Worth: Congregational SNF LLC & 135 Linden Blvd, LLC
BFA Attachment B	Pre and Post Ownership of Realty
BFA Attachment C	Details of Assumed Liabilities
BFA Attachment D	Pro Forma Balance Sheets of Operation and Realty
BFA Attachment E	Financial Summary and 2018 Certified Financial Statement of NY Congregational Nursing Center, Inc.
BFA Attachment F	Internal Financial Statement of NY Congregational Nursing Center, Inc. as of June 30, 2019.
BFA Attachment G	Proposed Members' Ownership Interest in Affiliated RHCs and Financial Summary



Project # 181164-E  
St. Johnsville Rehabilitation and Nursing Center

**Program:** Residential Health Care Facility  
**Purpose:** Establishment

**County:** Montgomery  
**Acknowledged:** March 7, 2018

Executive Summary

**Description**

St. Johnsville Rehabilitation and Nursing Center, Inc. (SJRNC) is a proprietary business corporation that operates a 120-bed, Article 28 residential health care facility (RHCF) located at 7 Timmerman Avenue, St. Johnsville (Montgomery County). SJRNC requests approval to transfer 100% of its capital stock (200 shares) from the five withdrawing shareholders to a single new shareholder, Chaim Scheinbaum. Mr. Scheinbaum will also acquire 100% membership interest in St. Johnsville Realty, LLC, the current real property owner. There will be no change in beds or services provided.

Ownership of the operations before and after the requested change is as follows:

<u>Current Operator</u>		
St. Johnsville Rehabilitation and Nursing Center, Inc.		
<u>Shareholders</u>	<u>Shares</u>	<u>%</u>
Charles Glessing (Estate)	100	50%
Dennis J. Christiano, Sr.	50	25%
Marie Stafford	18	9%
Lisa Canale	16	8%
Linda Scott	16	8%

<u>Proposed Operator</u>	
St. Johnsville Rehabilitation and Nursing Center, Inc.	
<u>Shareholder</u>	<u>%</u>
Chaim Scheinbaum (200 shares)	100%

Current shareholder and realty member Charles Glessing died on January 13, 2016. Ms. Theresa Britton, the Administrator of Mr. Glessing's Estate, has provided an affidavit attesting that the Estate will honor every term of his purchase agreement as modified by the assignments, including the financing arrangements set forth therein.

Pursuant to separate purchase agreements dated March 17, 2015 (Charles Glessing) and November 17, 2015 (remaining shareholders), the current shareholders agreed to sell their stock in the Corporation to Joseph Schwartz. Mr. Glessing's sale price was valued at \$4,800,000 and the remaining shareholders' sale price was valued at \$1,000,000 for a total purchase price of \$5,800,000. On November 17, 2017, Joseph Schwartz entered into two Assignment of Contract Agreements (one for each stock purchase agreement) to assign his rights, title and interest to purchase the operations to Chaim Scheinbaum. Joseph Schwartz was the CEO of Skyline Healthcare, LLC, which in less than two years grew from a chain of about two dozen homes to 120 across ten states from New Jersey to Florida to South Dakota. He was still acquiring facilities in February of 2016 when his application for St. Johnsville was acknowledged by the Department. He subsequently withdrew his application in February of 2018 as facilities in his out-of-state portfolio began to fail. Many of these facilities ended up in receivership or closed after Mr. Schwartz was forced to surrender his license by the respective state authorities.

The total purchase price for the sale of the realty is valued at \$4,970,000. At the time of execution of the stock purchase agreements, the membership of St. Johnsville Realty, LLC was identical to the membership of the operating entity. However, Mr. Glessing's March 17, 2015 sale agreement included the sale of his 50% membership interest in the realty whereby a \$500,000 down payment toward the \$720,000 realty purchase price would authorize transfer of Mr. Glessing's membership interest in the realty to Mr. Schwartz. The down payment was paid; hence, Mr. Schwartz became a 50% realty member and guarantor on the Citizens Bank debt (mortgage) as of March 17, 2015. Mr. Schwartz subsequently paid the remaining \$220,000 balance due on the realty transaction satisfying the full payment due of \$720,000 for the purchase of Mr. Glessing's 50% ownership interest in the realty. On November 17, 2015, concurrent with the execution of their stock purchase agreement, the remaining realty entity members entered into a membership interest purchase agreement with Joseph Schwartz for the sale of their 50% membership interest in the realty for a purchase price of \$4,250,000. Mr. Schwartz has paid a \$250,000 deposit on this transaction. On June 19, 2018, Joseph Schwartz entered into two Assignment of Contract Agreements to assign his rights, title and interest in St. Johnsville Realty, LLC to Chaim Scheinbaum.

Mr. Glessing's operations and realty sale agreements also provided for a discount of \$2,070,000 whereby the promissory note transactions would be deemed paid in full if the buyer paid a total of \$3,450,000, inclusive of the \$500,000 paid on the realty, by the end of the seventh year. Upon PHHPC approval, the applicant intends to close on the promissory notes securing the discounted sale price.

The operations and realty purchase and assignment agreements will close simultaneously upon approval of this application by the Public Health and Health Planning Council (PHHPC), at which time Mr. Scheinbaum will own 100% of the operating entity's stock and have 100% membership interest in the realty entity. At Closing, Mr. Scheinbaum will repay Joseph Schwartz's \$970,000 investment in the realty. The proceeds from the realty sale will be used by the current realty members to satisfy the outstanding Citizens Bank mortgage that has a maturity date of July 22, 2023, and a \$2,030,983 principal balance due as of August 19, 2019.

The applicant has minimally satisfied the statutory requirement of financial feasibility/capability by taking an advance payment on shares in the realty entity that he does not currently own. On August 1, 2018, Chaim Scheinbaum and Jack Jaffa entered into a Letter of Intent to Purchase (LOI) whereby, subsequent to PHHPC approval of this application, Mr. Scheinbaum will sell 10% membership interest in the realty entity to Mr. Jaffa for \$1,000,000. The transaction provided for a refundable deposit of \$250,000 upon signing of the LOI, with the \$750,000 balance due at Closing defined as 20 days following the Department's approval of the license transfer (operations). Mr. Scheinbaum indicated that the \$750,000 balance due was paid in full and his personal net worth statement, updated August 19, 2019, reflects the additional \$1M cash resources. Bank statement confirmation documenting the availability of sufficient liquid resources as of August 31, 2019 has been provided. It is anticipated that the additional funds will be used for working capital needs. Thus, after PHHPC approval of this application and Closing of the assignments, the realty entity's membership will be 90% Mr. Scheinbaum and 10% Mr. Jaffa. The applicant will continue to lease the premises from St. Johnsville Realty, LLC. The annual rent payment will be adjusted to cover the mortgage payment on the real property.

OPCHSM Recommendation  
Disapproval on character and competence and other factors.

Need Summary  
There will be no Need recommendation.

Program Summary  
Based upon the proposed members fragmented and short ownership history, spanning two and a half years, which lacks demonstration of a track record to improve operations of poor performing facilities and other factors including an ongoing investigation of the applicant, the individual background review indicates the proposed member has not met the standard for approval set forth in Public Health Law §2801-a(3).

Financial Summary  
There are no project costs associated with this application. Chaim Scheinbaum will acquire 100% of SJRNC's corporate stock and 100% of the realty entity's membership interest for a total purchase price of \$8,700,000. Mr. Scheinbaum

has deposited \$100,000 in equity and will fund the \$8,600,000 balance due via a self-amortizing 25-year mortgage with interest fixed at the 5-year US Treasury rate plus 4.15% (estimated at 5.75% as of September 25, 2019). HHC Capital Advisory Group, LLC has provided a letter of interest for the loan at the stated terms. Mr. Scheinbaum also agreed to pay a \$40,000 note Mr. Glessing owed to SJRNC. The budget is summarized below:

<u>Budget</u>	<u>Year One</u>	<u>Year Three</u>
Revenues	\$11,946,018	\$11,991,841
Expenses	<u>11,115,493</u>	<u>11,588,598</u>
Net Income	\$830,525	\$403,243

## Recommendations

Health Systems Agency

There will be no HSA recommendation for this project.

Council Action Date

**February 6, 2020**

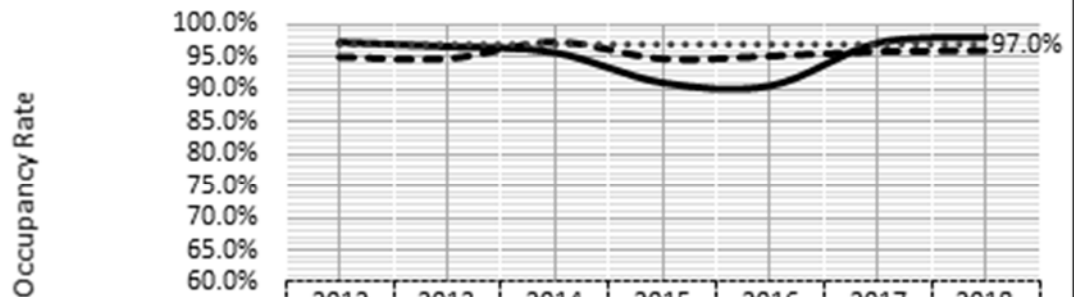


## Program Analysis

### Facility Information

	<b>Existing</b>	<b>Proposed</b>
Facility Name	St Johnsville Rehabilitation and Nursing Center	Same
Address	7 Timmerman Avenue St. Johnsville	Same
RHCF Capacity	120	Same
ADHCP Capacity	0	Same
Type of Operator	Corporation	Same
Class of Operator	Proprietary	Same
Operator	St. Johnsville Rehabilitation and Nursing Center, Inc. <u>Shareholders</u> Charles Glessing (Estate) 50% Dennis J. Christiano, Sr. 25% Marie Stafford 9% Lisa Canale 8% Linda Scott 8%	Same <u>Shareholder</u> Chaim Scheinbaum 100%

### St. Johnsville Rehabilitation and Nursing vs. Montgomery County



	2012	2013	2014	2015	2016	2017	2018
— St Johnsville Rehabilitation and Nursing Center	97.1%	96.5%	95.6%	91.0%	90.5%	97.0%	97.9%
- - - Montgomery County	95.0%	94.7%	97.2%	94.7%	95.1%	95.8%	95.9%

## Character and Competence

**Chaim (Mutt) Scheinbaum** discloses employment as the Chief Executive Officer for Alliance Healthcare, a consulting and service company for skilled nursing and rehabilitation facilities, as well as assisted living facilities, since 2016. Additionally, Mr. Scheinbaum lists employment as an Administrator at various nursing homes over a two-and-a-half-year timeframe. He has a BA degree from Telshe College. Mr. Scheinbaum has a current Nursing Home Administrator License in New Jersey. Mr. Scheinbaum discloses the following ownership interests:

### New Jersey

Preferred Care at Wall	01/2016 to 11/2016
Preferred Care at Mercer	06/2015 to 11/2016
Andover Subacute and Rehabilitation 1	06/2017 to present
Andover Subacute and Rehabilitation 2	06/2017 to present
Cooper River West	02/2019 to present
Cinnaminson Center	02/2019 to present

### Pennsylvania

Mountain View Care and Rehabilitation Center	02/2018 to present
Bloomsburg Care and Rehabilitation Center	02/2018 to present

## Quality Review

### **Andover Subacute and Rehab II (NJ)**


- A federal Civil Money Penalty of \$7,673 was assessed and paid for a survey on November 14, 2017.
- A federal Civil Money Penalty of \$21,393 was assessed for a complaint survey on January 30, 2019.

### **Mountain View Care and Rehabilitation Center (PA)**


- A state Civil Penalty of \$17,750 was assessed for Tag F 600 (Free from abuse and neglect) and Tag F 689 (Free of accident hazards/supervision) for a complaint survey on February 14, 2019.
- A state Civil Penalty was assessed for Tag 686G (Skin integrity) from a complaint survey on May 16, 2019 (PA did not provide the amount of the fine).

The CMS Special Focus Facility (SFF) program includes nursing homes that have a history of serious quality issues or are included in a special program to stimulate improvements in their quality of care.

The applicant owns two facilities which are on the CMS Special Focus Facility Candidate List (a list of nursing homes that qualify to be selected as an SFF): Cooper River West and Cinnaminson Center in NJ. These facilities are listed in the table below with the following symbol †.

The Nursing Home Compare website now includes information to alert consumers about abuse or neglect in nursing homes. Facilities that have been recently cited for resident harm or potential harm for abuse or neglect are indicated with an icon of a red circle with a hand in it.  Mountain View Care and Rehabilitation Center (PA) has been cited for resident harm or potential harm for abuse or neglect while the applicant owned this facility.

The applicant describes the reasons for below-average CMS ratings at his facilities as, in part, that Cooper River West (NJ), Cinnaminson Center (NJ), Mountain View Care and Rehabilitation Center (PA) and Bloomsburg Care Center and Rehabilitation Center (PA) had low star ratings when they were acquired.

Facility	Ownership Since	Overall	Health Inspection	Quality Measure	Staffing
<b>New York</b>					
St. Johnsville Rehabilitation and Nursing Center <i>(subject facility)</i>	Current	**	**	***	**
<b>New Jersey</b>					
Andover Subacute and Rehabilitation I	Current	***	**	****	****
	06/2017	****	***	*****	***
*Cooper River West†	Current	*	*	***	**
	02/2019	**	*	****	****
**Cinnaminson Center†	Current	*	*	****	***
	02/2019	**	*	*****	***
Andover Subacute and Rehabilitation II	Current	*	*	****	**
	06/2017	**	**	***	**
<b>Pennsylvania</b>					
Bloomsburg Care Center and Rehabilitation Center	Current	*	**	***	*
	02/2018	**	**	****	***
Mountain View Care and Rehabilitation Center 	Current	*	*	***	**
	02/2018	**	*	*****	****

**Data date:** 11/19

\*Cooper River West is known as Riverfront Rehabilitation and Healthcare Center

\*\* Cinnaminson Center is known as Wynwood Rehabilitation and Healthcare Care.

† Special Focus Facility Candidate

 Resident harm or potential harm for abuse or neglect

### Project Review

No changes in the program or physical environment are proposed in this application.

### Conclusion

The subject facility is currently rated as a CMS two-star facility. The applicant has a short two-and-a-half year current ownership history dating back to June 2017. Five of six of the current ownership facilities were acquired with low CMS two-star ratings and currently have a CMS one-star rating. Two of the currently operated facilities acquired in February of 2019 are also designated as CMS Special Focus Facility (SFF) candidates. The ownership history also includes a very brief ownership of two other facilities lasting for less than two years.

In addition, the Department is aware of an ongoing investigation of Mr. Scheinbaum.

## Financial Analysis

### Purchase Agreement with Mr. Glessing (Operations and Realty Combined)

The applicant submitted an executed purchase agreement to acquire Mr. Glessing's stock in the operating entity and membership interest in the realty entity. The terms are as follows:

Date:	March 17, 2015
Seller:	Charles Glessing
Buyer:	Joseph Schwartz
Assets Acquired:	50% stock interest in SJRNC (operations); and 50% of the membership interest in St. Johnsville Realty, LLC (realty entity)
Purchase Price:	\$4,800,000 (operations); \$720,000 (realty) Subject to Discount.
Payment of the Purchase Price:	\$4,800,000 Promissory Note (operations), 20 years at 7% imputed interest (\$20,000 monthly); \$500,000 Deposit Paid (realty) \$220,000 Promissory Note (realty), 14.6 months at 7% imputed interest (\$15,000 monthly)

The purchase price for Mr. Glessing's shares and membership interest is subject to a \$2,070,000 discount. The agreement provides that if the purchaser has remitted to the seller a total amount of \$3,450,000 (inclusive of the initial \$500,000 deposit) by the end of the seventh year from the commencement date of the agreement, the purchaser will not be required to make any more payments under the contract, and the purchaser shall be deemed to have fully paid the entire purchase price for the Mr. Glessing's 50% share in both the operations and realty. The applicant intends to satisfy the total purchase price for the operations and realty via cash at closing to secure the discount price.

### Stock Purchase Agreement (Remaining Stockholders)

Date:	November 17, 2015
Sellers:	Dennis J. Christiano, Sr. (25%), Marie Stafford (9%), Lisa Canale (8%) and Linda Scott (8%)
Buyer:	Joseph Schwartz
Assets Acquired:	50% of the stock in SJRNC
Purchase Price:	\$1,000,000
Payment of the Purchase Price:	\$1,000,000 Cash at Closing
Additional Price:	\$40,000 repayment of Glessing's note due the operating entity, payable prior to Closing

### Assignment of Contract Agreements (Operations)

By assignment agreements, Mr. Schwartz assigned all of his rights to the stock in the Corporation to Chaim Scheinbaum. The executed Assignment of Contract agreements, summarized below, will become effectuated upon PHHPC approval.

### Mr. Glessing's stock

Date:	November 17, 2017 (effective November 1, 2017)
Assignor:	Joseph Schwartz
Assignee:	Chaim Mutty Scheinbaum
Rights Assigned:	All rights, title, and interest in the Purchase Agreement dated March 17, 2015, for Mr. Glessing's 50% stock in SJRNC (Operations).
Payment:	None

**Christiano et al.'s stock**

Date	November 17, 2017 (effective November 1, 2017)
Assignor:	Joseph Schwartz
Assignee:	Chaim Mutty Scheinbaum
Rights Assigned:	All rights, title, and interest in the Stock Purchase Agreement dated November 17, 2015, for the remaining 50% stock in SJRHC (Operation).
Payment:	None

**Membership Interest Purchase Agreement (Realty Entity)**

The applicant has submitted an executed membership interest purchase agreement for the acquisition of the remaining interest in the realty entity. The terms are as follows:

**Christiano et al. Members**

Date:	November 17, 2015
Sellers:	Dennis J. Christiano, Sr. (25%), Marie Stafford (9%), Lisa Canale (8%) and Linda Scott (8%).
Buyer:	Joseph Schwartz
Assets Acquired:	50% of the membership interest in St. Johnsville Realty, LLC (realty entity)
Purchase Price:	\$4,250,000
Payment of the Purchase Price:	\$250,000 Deposit held in Escrow. \$4,000,000 Cash at closing.

**Assignment of Contract Agreements (Realty)**

By assignment agreements, Mr. Schwartz assigned all of his rights to membership in the realty entity to Chaim Scheinbaum. The executed Assignment of Contract agreements, summarized below, will become effectuated upon PHHPC approval.

**Mr. Schwartz**

Date:	June 19, 2018 (Effective June 1, 2018)
Assignor:	Joseph Schwartz
Assignee:	Chaim Mutty Scheinbaum
Rights Assigned:	All rights, title, and interests in Assignor's 50% membership interest in St. Johnsville Realty, LLC
Payment:	A repayment of investment will be effectuated at closing

**Christiano et al.**

Date	June 19, 2018 (Effective June 1, 2018)
Assignor:	Joseph Schwartz
Assignee:	Chaim Mutty Scheinbaum
Rights Assigned:	All rights, title, and interests in the Membership Interest Purchase Agreement of St. Johnsville Realty, LLC.
Payment:	A repayment of investment will be effectuated at closing

In correspondence dated September 4, 2019, the applicant stated that he will repay Mr. Schwartz's \$970,000 investment in the realty, which includes the \$720,000 investment obligation under the Purchase Agreement (Mr. Glessing) and the \$250,000 deposit made on execution of the Membership Interest Purchase Agreement (Christiano et al).

A summary of the purchase price for the operations and realty is as follows:

<u>Mr. Glessing</u>	<u>Operations</u>	<u>Realty</u>	<u>Total</u>	<u>Discount</u>	<u>Net Price</u>
Promissory Notes	\$4,800,000	\$220,000	\$5,020,000		
Cash Paid (Schwartz)	\$0	\$500,000	\$500,000		
Subtotal	\$4,800,000	\$720,000	\$5,520,000	(\$2,070,000)	\$3,450,000
<b><u>Christiano et al.</u></b>					
Cash at Closing	\$1,000,000	\$4,000,000	\$5,000,000		
Cash Paid (Schwartz)	0	\$250,000	\$250,000		
Subtotal	\$1,000,000	\$4,250,000	\$5,250,000	0	\$5,250,000
Total	<u>\$5,800,000</u>	<u>\$4,970,000</u>	<u>\$10,770,000</u>	<u>(\$2,070,000)</u>	<u>\$8,700,000</u>
Additional:					
Glessing Note - Cash	\$40,000		\$40,000		

Mr. Glessing's Purchase Agreement provides for a discount price of \$2,070,000 whereby the sale is considered paid in full if the Buyer pays the Seller \$3,450,000, inclusive of the \$500,000 deposit paid to date, by the end of the seventh year. The applicant intends to satisfy the total purchase price for the operations and realty via cash at closing to secure the discount price.

Mr. Scheinbaum has deposited \$100,000 in equity and will fund the \$8,600,000 balance due via a self-amortizing 25-year mortgage with interest fixed at the 5-year US Treasury rate plus 4.15% (estimated at 5.75% as of September 25, 2019). HHC Capital Advisory Group, LLC has provided a letter of interest for the loan at the stated terms. Mr. Scheinbaum also agreed to pay a \$40,000 note Mr. Glessing owed to SJRNC. BFA Attachment A is the net worth summary for the proposed operator of SJRNC, which shows sufficient liquid resources to meet equity requirements.

The purchase agreements state that the Seller shall receive half of the difference between the cash, accounts receivables, prepaid assets minus payables and accruals. BFA Attachment F shows the detail supporting a positive 50/50 split of \$727,902 between seller and buyer as June 30, 2019.

#### Lease Agreement

The applicant submitted an executed lease agreement, the terms of which are summarized below:

Date:	May 24, 2004
Premises:	120-bed RHC located at 7 Timmerman Drive, Johnsville, NY 13452
Landlord:	St. Johnsville Realty, LLC
Lessee:	St. Johnsville Rehabilitation and Nursing Center, Inc.
Term:	15 years and 7 months (current term ends December 31, 2019)
Rental:	\$676,000 per annum currently (\$56,333.33 per month)
Provisions:	Triple Net

The lease arrangement is a non-arm's length agreement. The real property is subject to the purchase and assignment agreements whereby Joseph Schwartz will acquire 100% membership interest in St. Johnsville Realty, LLC and will assign his rights, title and interest in the realty to Chaim Scheinbaum at Closing. Mr. Scheinbaum will subsequently sell 10% membership interest in the realty to Jack Jaffa for \$1,000,000. This transaction was pre-paid by Mr. Jaffa in August 2019. After PHHCP approval of this application and Closing of the assignments, the realty entity's membership will be 90% Mr. Scheinbaum and 10% Mr. Jaffa.

SJRNC will lease the real property from St. Johnsville Realty, LLC under the terms of a Draft Amendment to the Lease Agreement, summarized below:

Premises:	120-bed RHCf located at 7 Timmerman Drive, Johnsville, NY 13452
Landlord:	St. Johnsville Realty, LLC
Lessee:	St. Johnsville Rehabilitation and Nursing Center, Inc.
Term:	Additional five (5) year term extending lease end date to December 31, 2024
Rental:	\$905,850 per annum \$75,487.50 per month)
Provisions:	Triple Net

The amended lease rental payment includes \$811,491 base rent to satisfy the Bank's financing requirement of 1.25 x debt service coverage on the \$8.6 million mortgage. The applicant is advised that the terms of the final amendment to the current lease agreement must meet Department policy guidelines for a minimum ten-year site certain term.

### Operating Budget

The applicant has provided an operating budget, in 2019 dollars, for the current year 2018 and first and third years of operation subsequent to the change in ownership. The budget is summarized below:

Revenue	Current Year		Year One		Year Three	
	Per Diem	Total	Per Diem	Total	Per Diem	Total
Medicaid-FFS	\$212.49	\$7,339,097	\$212.12	\$7,154,390	\$212.12	\$7,225,933
Medicare-FFS	\$611.02	\$1,643,656	\$610.99	\$1,910,572	\$610.99	\$1,910,572
Commercial-FFS	\$429.57	\$1,091,526	\$429.62	\$917,230	\$429.62	\$917,230
Private Pay	\$352.45	\$820,155	\$352.43	\$1,049,170	\$352.43	\$1,049,170
Other-Hospice/VA	\$227.39	\$181,229	\$223.17	\$266,471	\$222.99	\$266,471
All other*	\$0	<u>\$201,461</u>	\$0	<u>\$648,185</u>	<u>\$0</u>	<u>\$622,465</u>
Total Revenue		\$11,277,124		\$11,946,018		\$11,991,841
<b>Expenses</b>						
Operating	\$237.47	\$10,186,131	\$228.90	\$9,879,523	\$238.09	\$10,356,825
Capital	<u>\$18.39</u>	<u>\$788,885</u>	<u>\$28.64</u>	<u>\$1,235,970</u>	<u>\$28.32</u>	<u>\$1,231,773</u>
Total Expenses	\$255.86	\$10,975,016	\$257.54	\$11,115,493	\$266.41	\$11,588,598
Net Income		<u>\$302,108</u>		<u>\$830,525</u>		<u>\$403,243</u>
Patient Days		42,894		43,161		43,499
Occupancy		97.9%		98.5%		99.3%

\*All other revenue includes fees from resident services including lab, radiology, medical supplies, PT/OT and speech therapy, pharmacy, rental to St. Mary's gym membership, guest meals and vending.

The following is noted with respect to the submitted operating budget:

- Current Year reflects the facility's 2018 actual revenues and expenses.
- Medicaid revenue is based on the facility's current 2019 Medicaid Regional Pricing Rate. The Medicare rate is the actual daily rate experienced by the facility during 2018. Private Pay and Other Payor rates are based on the facility's 2018 rate experience.
- Expense and staffing assumptions are based on the current operator's care model. Expenses are projected to increase by 1.3% in the first year primarily due to the increase in rent. In the third-year, expenses are projected to increase by 5.6% due to increased salaries and rent. In 2018, expenses were higher than normal due to administrative services provided by the previous applicant, Joseph Schwartz (Skyline Management Company), which was prior to the assignment of the contracts to Chaim Scheinbaum. The applicant indicated that upon PHHPC approval of this application, there will be no consulting agreement with the Skyline Management Company. Also, no consulting agreement with Alliance Health Care, Mr. Scheinbaum's administrative services company, is being proposed.

- First year utilization is projected at 98.5% based on June 2019 internals. Utilization for the past three years has averaged around 95.13% and current occupancy was 99.2% as of August 21, 2019.
- Utilization by payor for the current year and after the change in ownership is summarized below:

Payor	Current Year		Year One		Year Three	
	Days	%	Days	%	Days	%
Medicaid-FFS	34,539	80.52%	33,728	78.14%	34,065	78.31%
Medicare-FFS	2,690	6.27%	3,127	7.24%	3,127	7.19%
Comm-FFS	2,541	5.92%	2,135	4.95%	2,135	4.91%
Private Pay	2,327	5.43%	2,977	6.90%	2,977	6.84%
Other-Hospice & VA	797	1.86%	1,194	2.77%	1,195	2.74%
	42,894	100%	43,161	100%	43,499	100%

- The facility's Medicaid admissions of 23.0% in 2017 were below Montgomery County's 75% threshold rate of 39.2% in 2017; however, in 2018 the facility's Medicaid admissions increased to 50.7% compared to the County's 75% threshold rate of 38.5%. The applicant indicated that they endorse and agree to meet the 10 NYCRR Part 670.3(c)(2) Medicaid access requirement. In support of this commitment, Medicaid "pending" residents will be accepted and Medicaid patients are expected to account for 78.31% of total patient days by year three after the change in ownership.
- Breakeven utilization is projected at 91.69%.

### Capability and Feasibility

There are no project costs associated with this application. Chaim Scheinbaum will acquire 100% of SJRNC's corporate stock and 100% of the realty entity's membership interest for a totaling purchase price of \$8,700,000. Mr. Scheinbaum has deposited \$100,000 in equity and will fund the \$8,600,000 balance due via a self-amortizing, 25-year mortgage with interest fixed at the 5-year US Treasury rate plus 4.15% (estimated at 5.75% as of September 25, 2019). HHC Capital Advisory Group, LLC has provided a letter of interest for the loan at the stated terms. Mr. Scheinbaum also agreed to pay a \$40,000 note Mr. Glessing owed to SJRNC.

Total working capital is estimated at \$1,990,013 based on the following: two months of first year expenses of \$1,852,582, shareholders' SNF receivable per contract of \$105,431, and repayment of the \$40,000 note Mr. Glessing owes to SJRNC. Working capital will be satisfied via equity of \$862,111, assumed account receivables estimated at \$727,902 as of June 30, 2019 (see BFA Attachment F) and a five-year loan for \$400,000 at an interest rate of prime plus 0.25% (estimated at 5.50% as of September 5, 2019). As mentioned previously, Mr. Jaffa advanced Mr. Scheinbaum \$1,000,000 for a 10% share in St. Johnsville Realty, LLC. Thus, after PHHCP approval Mr. Scheinbaum will have 90% ownership and Mr. Jaffa will have 10% ownership in the realty entity. BFA Attachment A is the net worth summary for the proposed operator of St. Johnsville Rehabilitation and Nursing Center, Inc., which shows sufficient liquid resources to meet the equity requirements for working capital due to the \$1,000,000 advance provided by Mr. Jaffa on the 10% share in the Realty LLC. HHC Capital Advisory Group, LLC has provided a letter of interest for the working capital loan at the stated terms.

The submitted budget projects net profit of \$830,525 in Year One and \$403,243 in Year Three after the change in ownership. The proposed operator expects to continue the positive occupancy trend through outreach programs, working closely with local health care and social services providers and the Montgomery County Department of Social Services. The budget appears reasonable.

BFA Attachment E is the pro forma balance sheet of the operating and realty entities, which shows they will start with a positive equity position of \$5,989,551 for the operation, but a negative \$1,540,549 equity position for the realty. Assets include goodwill of \$2,329,451 for the realty, which is not a liquid resource nor is it recognized for Medicaid reimbursement. If goodwill is eliminated from the equation, the total net asset position for the realty is a negative \$3,870,000. Although the Department's financial feasibility review is focused on the operating entity, the negative pro forma net asset position of the realty may have a future negative impact on the operations, should rental terms change.



BFA Attachment C is the Financial Summary of St Johnsville Rehabilitation and Nursing Center, Inc. for the 2016 - 2018 audited period and their internals as of August 31, 2019. As shown, the RHCFC had an average negative working capital position of \$1,093,548, average negative net assets of \$1,321,039 and an average negative income of \$394,937 for the period. The reasons that contributed to negative income during 2016 were the erosion of occupancy, increase payables and reduced profitability due to the managing members and major stock holder's significant health issues and ultimate passing in 2016. The facility has improved its performance and had a positive operating income of \$133,210 as of August 31, 2019.

## Attachments

BFA Attachment A	Net Worth of Proposed Member Chaim Scheinbaum
BFA Attachment B	Pre-and Post-Ownership of the Realty
BFA Attachment C	Financial Summary of St Johnsville Rehabilitation & Nursing Center, Inc. for 2016-2018 and internals as of August 31, 2019
BFA Attachment D	2018 Certified Financial Statement, St Johnsville Rehabilitation & Nursing Center, Inc.
BFA Attachment E	Pro Forma Balance Sheet, St Johnsville Rehabilitation & Nursing Center, Inc. and St Johnsville Realty, LLC
BFA Attachment F	Analysis of projected 50/50 split of excess assets



Project # 191302-E

Olean Manor, Inc. d/b/a Field of Dreams Senior Living

**Program:** LHCSA  
**Purpose:** Establishment

**County:** Cattaraugus  
**Acknowledged:** June 18, 2019

## Executive Summary

### Proposal

Olean Manor, Inc. d/b/a Field of Dreams Senior Living, a proprietary business corporation, requests approval for licensed home care services under Article 36 of the Public Health Law, as a requirement of approval for an associated Assisted Living Program (ALP) to be owned and operated by the same corporation. The applicant will be restricted to serving the residents of the associated ALP and will operate from an office located at 3260 N. 7<sup>th</sup> Street, Allegany, NY 14706 (Cattaraugus County).

The applicant will provide the following health care services:

- Nursing
- Home Health Aide
- Personal Care

## Recommendations

Office of Primary Care and Health Systems Management

**Approval, contingent upon:**

1. Submission of a photocopy of an executed amendment to the Certificate of Incorporation, acceptable to the Department. (CSL)
2. Submission of a photocopy of an amended and executed Certificate of Assumed Name, acceptable to the Department. (CSL)

**Approval, conditional upon:**

1. The Agency is restricted to serving the residents of the associated Assisted Living Program. [CHA]

Council Action Date  
February 6, 2020

## Review

### Character and Competence

The sole shareholder of Olean Manor, Inc. is Nicholas T. Ferreri. The Board of Directors of Olean Manor is comprised of the following individuals:

**Nicholas T. Ferreri**, Owner/Operator  
Tanglewood Manor, Inc.

#### Affiliations

Tanglewood Manor, Inc. (ACF, 1983 – present)  
Tanglewood Manor, Inc. (LHSA, 2002 – present)  
Memory Garden at Tanglewood, Inc. (ACF, 2002 – present)  
Frewsburg Rest Home (ACF, 2014 -present)

**Terri Ingersoll**, Administrator/Chief Operating Officer  
Tanglewood Manor, Inc.

#### Affiliations

Tanglewood Manor, Inc. (ACF, 1997 – present)  
Memory Garden at Tanglewood, Inc. (ACF, 7/2002 – present)  
Frewsburg Rest Home (ACF, 3/2014 -present)

A search of the individual named above revealed no matches on either the Medicaid Disqualified Provider List or the OIG Exclusion List.

**Tanglewood Manor, Inc.** was fined two thousand dollars (\$2,000.00) pursuant to a stipulation and order dated August 7, 2019 for inspection findings on November 9, 2018; and December 12, 2018 for violations of Article 7 of the Social Services Law and 18 NYCRR Part 487 Sections 487.7(d)(1)(i); 487.7(d)(1)(v) and 487.7(d)(6)(iii)(a), (b).

The information provided by the Division of Home and Community Based Services and the Division of Adult Care Facilities and Assisted Living Surveillance has indicated that the applicant has provided sufficient supervision to prevent harm to the health, safety and welfare of residents and to prevent recurrent code violations.

### Conclusion

Review of the Personal Qualifying Information indicates that the applicant has the required character and competence to operate a licensed home care services agency.



Project # 192179-E

True Blue Care at Home, Inc.

**Program:** LHCSA

**County:** Bronx

**Purpose:** Establishment

**Acknowledged:** November 13, 2019

## Executive Summary

### Proposal

True Blue Care at Home Inc., a business corporation, requests approval to merge two licensed home care services agencies into one new agency under Article 36 of the Public Health Law. True Blue at Home Care Inc., whose sole shareholder is Morris Oiring, is seeking to transfer ownership and consolidate two currently operational licensed home care services agencies; (i) Floral Home Care LLC and (ii) Gloria's Manor LLC d/b/a New Gloria's Manor Home Care Service,s in conjunction with an allowed exception to the current moratorium.

Upon approval, the licenses of Floral Home Care LLC and Gloria's Manor LLC will be surrendered and a new license will be issued to True Blue Care at Home Inc. with the existing offices becoming offices of the newly formed LHCSA.

True Blue at Home Care Inc. will serve the combined counties already approved for Floral Home Care LLC and Gloria's Manor LLC dba New Gloria's Manor Home Care Services, which include: Bronx, Kings, New York, Queens, Richmond, Westchester and Nassau Counties.

The applicant will provide the following health care services:

- Nursing
- Home Health Aide
- Personal Care

## Recommendations

Office of Primary Care and Health Systems Management

**Approval, contingent upon:**

1. Submission of an executed certificate of incorporation of True Blue Care at Home, Inc.

Council Action Date

February 6, 2020

## Review

### Character and Competence

The sole shareholder of True Blue at Home Care Inc. is Morris Oiring. Mr. Oiring is the President of Genesis Adult Care, Inc. (2013 – present). As president of Genesis Adult Care, Mr. Oiring stated he was responsible for running the adult care facility and that experience translates well for owning and operating a licensed home care services agency.

A search of the Medicaid Disqualified Provider List and the OIG Exclusion List revealed no matches on either.

### Conclusion

Review of the Personal Qualifying Information indicates that the applicant has the required character and competence to operate a licensed home care services agency.