



Department of Health Public Health and Health Planning Council

Project # 241015-E Centralus Health, Inc.

Program: Hospital
Purpose: Establishment

County: Tompkins
Acknowledged: January 30, 2024

Executive Summary

Description

Centralus Health, Inc. (Centralus) seeks approval to be established as the sole member and common active parent of Cayuga Health Systems, Inc. (Cayuga) and Arnot Health, Inc. (Arnot). Centralus' Board of Directors will be comprised of current board members from Cayuga Medical Center and Arnot Ogden Medical Center. Cayuga and Arnot are comprised of four (4) hospitals, two (2) nursing homes, one (1) certified home health agency (CHHA), and one (1) licensed home care service agency.

On September 15, 2023, Cayuga and Arnot entered into an executed affiliation agreement with Centralus. As the sole member and common active parent of Cayuga and Arnot, Centralus will have the power and authority to make decisions for its affiliates as stated in its Affiliation Agreement, Certificate of Incorporation, bylaws, and the active parent powers regarding Cayuga and Arnot affiliates as described in 10 NYCRR 405.1(c),

The approval of Centralus as active parent and co-operator is part of a transformation plan developed by Cayuga and Arnot to restore Arnot's financial stability while maintaining Cayuga's. Cayuga and Arnot have identified efficiencies, economies of scale, and opportunities for value creation through collaboration. An immediate example of this is the enterprise-wide implementation of EPIC electronic health records system, which is supported by \$15 million in New York Statewide Transformation Grant funds.

Cayuga is a safety net provider operating primarily in Tompkins, Schuyler, and Cortland counties, while Arnot is a safety net provider primarily serving Chemung and Steuben counties and surrounding communities.

Dr. Andreia de Lima, who is Board Certified in Internal Medicine, will be the Medical Director of Centralus Health, Inc.

OPCHSM Recommendation

Contingent Approval

Need Summary

There are no changes in beds, services, or projected utilization included in this project.

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 application. The following represents the consolidated budgets of Arnot Health Inc., and Cayuga Health Systems, Inc.

Budget:	<u>Current Year</u>	<u>Year One</u>	<u>Year Three</u>
Total Revenues	\$799,129	\$908,247	\$1,016,538
Total Expenses	<u>\$869,937</u>	<u>\$990,180</u>	<u>\$1,047,408</u>
Deficiency of Revenue over Expenses	(\$70,808)	(\$81,933)	(\$30,870)

Health Equity Impact Assessment

This project does not meet the requirements for a Health Equity Impact Assessment under Section 2802-B of the PHL.

Recommendations

Health Systems Agency

The Common Ground, Finger Lakes Health Systems Agency, recommends Approval.

Office of Primary Care and Health Systems Management

Approval conditional upon:

1. This project must be completed by **one year from the date of the recommendation letter**, including all pre-opening processes, if applicable. Failure to complete the project by this date may constitute an abandonment of the project by the applicant and the expiration of the approval. It is the responsibility of the applicant to request prior approval for any extensions to the project approval expiration date. [PMU]

Council Action Date

June 18, 2025

Need Analysis

Project Description

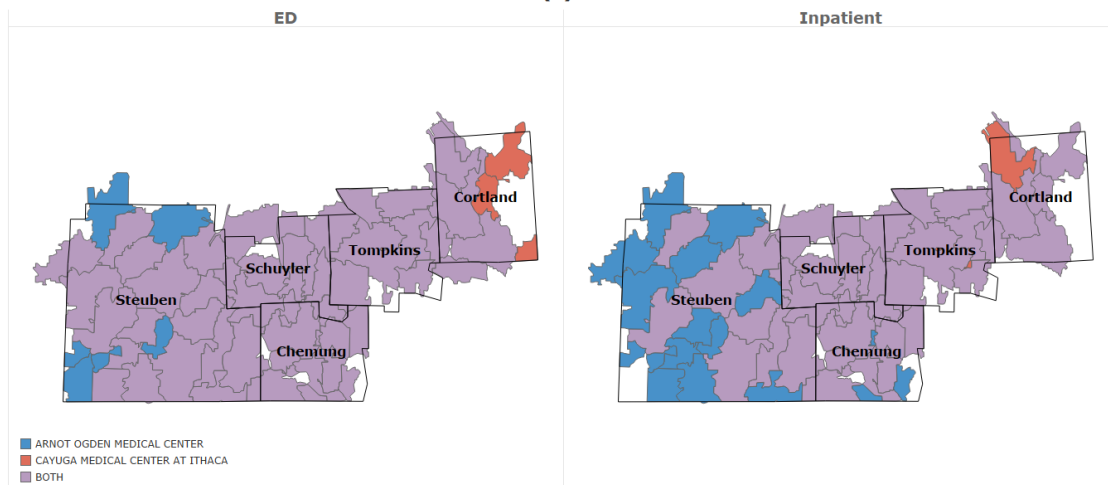
Centralus Health, Inc. is seeking approval to become the established sole member and common active parent of Cayuga Health System, Inc., and Arnot Health, Inc. This transaction is to establish a coordinated, highly integrated system with the objectives of improving quality, increasing access, and lowering the costs of health care in the communities served by both Cayuga Health and Arnot Health.

Cayuga Health System and Arnot Health are both safety net providers. Under the parent organization of Centralus Health, Inc., will be the following:

- Cayuga Medical Center at Ithaca, a 212-bed Hospital in Tompkins County
- Schuyler Hospital, a 16-bed Hospital in Schuyler County
- Arnot Ogden Medical Center, a 266-bed Hospital in Chemung County
- Ira Davenport Memorial Hospital, a 35-bed Hospital in Steuben County

The maps below, created by Common Ground Health, show the 2022 utilization of Arnot Ogden Medical Center and Cayuga Medical Center at Ithaca, and where they overlap coverage.

Facility Utilization by ZIP Code
Year(s) 2022



Source: Statewide Planning and Research Cooperative System (SPARCS), Years 2022
Analysis Completed by Common Ground Health

Common Ground
Health

Conclusion

There are no proposed changes to beds or services in this proposal that would impact availability or utilization.

Program Analysis

Project Proposal

Proposed Operator	Centralus Health, Inc.
To Be Known As	Centralus
Site Address	101 Dates Drive, Suite N-500, Ithaca, New York 14850 (Chemung County).
Specialties	No Changes
Hours of Operation	No Changes
Staffing (1st Year / 3rd Year)	4,218.82 / 4,167.49
Medical Director(s)	Dr. Andreia de Lima
Emergency, In-Patient, and Backup Support Services Agreement and Distance	No changes - Cayuga Health System, Inc. Arnot Health, Inc.

The proposed organizational structure will oversee the following hospitals:

- **Cayuga Medical Center at Ithaca** (212-bed Hospital) (Tompkins County) - Level 2 (Perinatal Center and Primary Stroke Center)
- **Schuyler Hospital** (16-bed Hospital) (Schuyler County)
- **Arnot Ogden Medical Center** (266-bed Hospital) (Chemung County), Level 3 (Perinatal Center and Primary Stroke Center)
- **Ira Davenport Memorial Hospital** (35-bed Hospital) (Steuben County) - Level 3 (Primary Stroke Center)

There are no projected changes in beds, services, or utilization at the Cayuga Health or the Arnot Health systems proposed in this project.

The following table shows the projected FTEs in Year One and Year Three following the completion of this project:

Staffing Categories	Current Year	Year One	Year Three
Management & Supervision	353.00	349.70	343.00
Technician and Specialist	454.80	451.80	445.70
Registered Nurses	744.00	739.09	729.12
Licensed Practical Nurses	42.30	42.02	41.45
Aides, Orderlies & Attendants	218.00	215.36	209.99
Physicians	131.209	130.33	128.58
PGY Physicians	153.60	152.59	150.53
Physician Assistants	152.60	151.59	149.55
Nurse Practitioners	52.80	52.45	51.74
Social Workers and Psychologists	89.00	88.41	87.22
Physical Therapists & PT Assistants	74.20	73.71	72.72
Occupational Therapist & OT Assistants	29.50	29.31	28.91
Speech Therapists and Speech Assistants	10.10	10.03	9.90
Other Therapists and Assistants	235.40	233.85	230.69
Infection Control, Environmental & Food Service	438.50	438.50	438.50
Clerical and Administrative	1065.10	1060.08	1049.89
Total Number of Employees	4,244.10	4,218.82	4,167.49

There will be a decrease of 76.61 FTEs from the Current Year to Year Three. The applicant states, "Many of the reductions will be attributable to efficiencies achieved through the combined organization, natural attrition, and the elimination of vacant positions. The reductions will have no impact on the services being offered by any of the entities because of the affiliation, nor impact on plans to expand existing or implement new programs."

Centralus Inc.'s Board of Directors is comprised of current board members from Cayuga Medical Center and Arnot Ogden Medical Center.

Member
Martin Stallone, M.D. (Cayuga Medical Center)
Arie Johannes van den Blink III (Arnot Ogden Medical Center)
Thomas LiVigne (Cayuga Medical Center)
Gary Koretzky, M.D. (Cayuga Medical Center)
Paul Streeter (Cayuga Medical Center)
Laurie J. Mante (Cayuga Medical Center)
Krista Niles-Updyke (Arnot Ogden Medical Center)

Character and Competence

Andreia P. de Lima, MD, is the proposed medical director of the facility. Dr. de Lima served as a hospitalist at Cayuga Medical Center since 2009 and was the Associate Program Director. Dr. de Lima has served in multiple leadership roles within Cayuga Medical Center, Cayuga Medical Associates, with Cayuga Health Partners, as a Utilization Review Physician Advisor, as Department of Medicine Chair, and as the Vice President of the Medical Staff. In 2021, Dr. de Lima became the new Vice President of Medical Affairs at Cayuga Medical Center and continues to perform clinical duties part-time as a hospitalist. In 2023 Dr. de Lima became the Chief Medical Officer for the CHS hospitals.

Dr. de Lima graduated with a Doctor of Medicine from Universidade do Estado Para in 1999; received a Master's in Business Administration (MBA) from the University of Massachusetts Amherst-Isenberg School of Management in 2024; completed an Internal Medicine Residency at Saint Barnabas Hospital; and completed a fellowship in Rheumatology at the Hospital de Base do Distrito Federal. Dr. de Lima is board certified in Internal Medicine and is registered to practice medicine in New York through May 31, 2026.

Martin Stallone, MD, is currently licensed in New York State until March 31, 2027. Educational background includes the following: graduated from the Naval War College, Newport Rhode Island, with a Master's in 2009; from the University of Pennsylvania School of Medicine, Philadelphia, Pennsylvania, with a MD/MBA in 2004; and from Cornell University, Ithaca, New York, with a Bachelor of Science in 1998.

Dr. Stallone is currently working at Cayuga Medical Center at Ithaca (CMC) in a variety of roles, and for the Cayuga Health System (CHS) as the President and as Chief Executive Officer (CEO) from 2019 to present; as the Vice President of Physician Operations (VPPO) from 2017 to 2019; Cayuga Medical Associates, P.C (CMA) as President from 2017 to present; and as Medical Director at Cayuga Area Plan/Preferred (CAP) from 2011 to 2019 as the Medical Director at Cayuga Medical Center (CMC) at Ithaca from 2009 to 2017.

Arie Johannes van den Blink III received a Doctor of Law (JD) degree from Rutgers-Camden School of Law in Camden, New Jersey, in May 1984 and a Bachelor of Science degree from Minnesota State University-Mankato in Mankato, Minnesota, in March 1980.

Arie van den Blink III has been a board director with Arnot Health since 2015; was on the Board of Directors with St. Joseph's Hospital in Elmira, NY from 2015 to 2019; has been the Director of Elmira Savings Bank since January 2012; and is the current CEO and Chairperson of the Hillard Corporation, a manufacturing company, in Elmira, New York since 1988 to present.

Thomas (Tom) P. LiVigne received a Master of Science in Sports Medicine with emphasis on athletic training from Indiana State University in Terre Haute, Indiana, in 1977, and a Bachelor of Science degree from SUNY Cortland in Cortland, New York, in 1976.

Thomas LiVigne is currently the chairperson of the Cayuga Health System, Inc (CHS) Board of Directors and was the Director of Real Estate Operations for Cornell University from July 1977 to March 2015; and has been a Board Member with several facilities such as Cayuga Medical Center at Ithaca, Inc. from 2013 to present; Schuyler Hospital from 2016 to present; Seneca View from 2016 to present; CARS (Ithaca Alpha House Center, Inc.) from 2023 to present. Is listed as the Owner/CEO of Cayuga Area Plan, Inc. since December 1986.

Gary Alan Koretzky, M.D., Ph.D., received two (2) degrees in 1984, a Ph.D. from the University of Pennsylvania in Philadelphia, Pennsylvania 1984, and an MD degree. Dr. Koretzky was registered to practice in the states of CA, PA, and IA but is no longer practicing. Dr. Koretzky currently has an office in Ithaca, New York; and is a Professor of Medicine at the Weill Cornell Medicine in New York City, New York from 2014 to present; Vice Provost for Academic Integration at Cornell University from 2018 to present; a Professor of Microbiology and Immunology at Cornell University/College of Veterinary Medicine from 2019 to present; and as a Director Cornell Center for immunology at Cornell University from 2019 to present.

Dr. Koretzky has been a Board Member with several facilities, such as Cayuga Medical Center at Ithaca, Inc., from 2023 to present, Schuyler Hospital from 2023 to present, Seneca View from 2023 to present, and CARS (Ithaca Alpha House Center, Inc.) from 2023 to present.

Paul J. Streeter received a Bachelor of Science degree from LeMoyne College in Syracuse, New York, in May 1983 and a Master's in Business Administration from Cornell University in Ithaca, New York, in May 1995, and was licensed by New York State as a Certified Public Accountant which has been inactive since 2013. Currently, Paul Streeter is officially retired as of July 2021. Employment history included Vice President for Budget and Planning with Cornell University, Ithaca, New York, from March 2014 to July 2021; as Assistant Dean for Finance and Administration with Cornell University/College of Veterinary Medicine from June 1010 to March 2014.

Paul Streeter has been a Board Member with several facilities, such as Cayuga Medical Center at Ithaca, Inc., from 2023 to present, Schuyler Hospital from 2023 to present, Seneca View from 2023 to present, and CARS (Ithaca Alpha House Center, Inc.) from 2023 to present.

Laurie J. Mante received a Bachelor of Science in Business/Marketing degree from SUNY Plattsburg in Plattsburg, New York in 1987; a Master's Business Administration in Health Systems Management from Clarkston University (Schenectady College) in Schenectady, New York in 1987; and received a license as a Nursing Home Administrator, license number 04886, from New York State in 2001 and remains in good standing until December 31, 2025.

Currently, Laurie Mante is employed as the Executive Director at Kendal at Ithaca since November 2019 to present; was a Regional Administrator for Centers Health Care from November 2018 to November 2019; as the Vice President for Regional Operations with St. Peter's Health Partners from August 2002 until November 2018; as the Executive Director of Eddy Village Green (The Eddy) from May 2016 to June 2018; and as the Executive Director of The Community Hospice with St. Peter's Health Partners from May 2012 to May 2016.

Laurie Mante has been a Board Member with several facilities, such as Cayuga Medical Center at Ithaca, Inc., from 2022 to present, Schuyler Hospital from 2022 to present, Seneca View from 2022 to present, and CARS (Ithaca Alpha House Center, Inc.) from 2023 to present.

Krista L. Niles-Updyke, CPA, received a Bachelor's in Accounting/Business Management from Elmira College in Elmira, New York, in June 1997 and is registered as a Certified Public Accountant, license number 084151, until August 31, 2026. Currently, Krista Niles-Updyke is employed as a Partner-Owner/CPA with Mengel, Metzger, Barr & Co., LLP in Elmira, New York since July 1997 to present; and works for the Town of Big Flats with the Zoning Board of Appeals in Big Flats, New York from 2018 to present.

Krista Niles-Updyke has been a board member with Arnot Ogden Medical Center since May of 2021; and is currently the Treasurer of Big Flats Little League, a member of the Resource Development Committee for the Food Bank of the Southern Tier, the President's Council member for Elmira College, and is a member of the Town of Big Flats Zoning Board of Appeals. Krista Niles-Updyke is also affiliated with the American Institute of Certified Public Accountants and the New York State Society of Certified Public Accountants.

Affiliated Facilities Compliance History:

Kendal at Ithaca, at 2230 Triphammer Road, Ithaca, NY, remains in compliance.

Eddy Village Green (The Eddy), at 421 West Columbia Street, Cohoes, NY 12047
The Eddy paid a civil monetary penalty of \$3,963.00 for enforcement in Quality-of-Care Highest Practicable Potential (415.12). There are no current open enforcements.

Cayuga Medical Center at Ithaca, a Level 2 perinatal/birthing hospital and primary stroke center, a 212-bed hospital in Tompkins County, paid a fine of \$26,000.00 for a student death in December 2023. The Facility had twenty-one (21) operating rooms (ORs) running. Twelve of the ORs with a total of 24 staff were not following acceptable standards of practice for Infection Control practices in the Surgical Areas.

Schuyler Hospital, a 16-bed hospital in Schuyler County, remains in compliance.

Arnot Ogden Medical Center, a Level 3 perinatal/birthing hospital and stroke center, 266-bed Hospital in Chemung County, remains in compliance.

Arnot Ogden Medical Center was found liable in a \$5 million verdict for a 2017 surgery. Gary Mann, M.D., was found liable for causing catastrophic injuries to a patient in 2017 during a gallbladder surgery. Dr. Mann is currently employed at Roswell Park in Buffalo.

Ira Davenport Memorial Hospital, a 35-bed hospital in Steuben County) - Level 3 (Primary Stoke Center) remains in compliance.

Staff from the Division of Certification & Surveillance reviewed the disclosure information submitted regarding licenses held, formal education, training in pertinent health and/or related areas, employment history, a record of legal actions, and a disclosure of the applicant's ownership interest in other health care facilities. Licensed individuals were checked against the Office of Medicaid Management, the Office of Professional Medical Conduct, and the Education Department databases, as well as the US Department of Health and Human Services Office of the Inspector General Medicare exclusion database.

Prevention Agenda

Centralus Health is seeking approval to become the established sole member and common active parent of Cayuga Health System, Inc., and Arnot Health, Inc. Cayuga Health and Arnot Health are implementing multiple interventions to support priorities of the 2019-2024 New York State Prevention Agenda, including:

- Prevent Chronic Diseases
- Promote Well-being and Prevent Mental and Substance Abuse Disorders
- Promote Healthy Women, Children, and Infants
- Promote a Healthy and Safe Environment

This affiliation will support the local Prevention Agenda priorities that were identified in the most recently completed Community Service Plans (CSPs) and will make these efforts broader and more efficient. In 2021, Cayuga Health spent \$52,069,661, and Arnot Health spent \$19,339 on community health improvement services.

Family Health

The Applicant seeks to become the established sole member and parent of two health systems – Cayuga Health System, Inc., and Arnot Health, Inc. The applicant organizations have determined that this new structure would benefit the hospitals and communities in which they serve.

The new organizational structure would oversee the following hospitals:

- Cayuga Medical Center (Tompkins)
- Schuyler Hospital (Schuyler)
- Arnot Ogden Medical Center (Chemung)
- Ira Davenport Memorial Hospital (Steuben), and

Additional facilities (nursing homes, CHHAs) are not included in this review as they do not provide services that fall within the Division of Family Health's expertise.

With regards to Division of Family Health's interests, only Cayuga Medical Center (Level I) and Arnot Ogden Medical Center (Level III) are designated perinatal hospitals, or "birthing hospitals". None of the agencies are designated as Sexual Assault Forensic Examiner Hospitals, or "SAFE hospitals".

Impact on Perinatal Level of Care Designation:

As this organizational restructure is described as having no impact on the capacity of care or number of maternity and/or neonatal intensive care unit (NICU) beds, there is no anticipated impact on the facility's level of care designation.

The one potential issue that may need to be discussed internally and with the respective Regional Perinatal Centers is that Cayuga Hospital is currently affiliated with Crouse Hospital, Syracuse, NY. Arnot Ogden is currently affiliated with Strong Memorial Hospital, Rochester, NY. These discussions and any resulting actions are separate from consideration of this application.

Determination: The Division of Family Health approves this application from the perspective of providing quality care to pregnant and birthing people and their families.

Conclusion

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 Analysis

Operating Budget

The applicant provided the Current Year results and the Year One and Year Three operating budget, in 2025 dollars. The following represents the consolidated budgets and assumptions detail for post-affiliation:

<u>Inpatient Revenue</u>	<u>Current Year</u>		<u>Year One</u>		<u>Year Three</u>	
	<u>Per Day</u>	<u>Total</u>	<u>Per day</u>	<u>Total</u>	<u>Per Day</u>	<u>Total</u>
	<u>(Whole \$)</u>	<u>(\$000s)</u>	<u>(Whole \$)</u>	<u>(\$000s)</u>	<u>(Whole \$)</u>	<u>(\$000s)</u>
Medicare FFS	\$5,185	\$121,328	\$5,643	\$133,071	\$6,195	\$148,117
Medicare MC	\$6,623	\$126,157	\$7,218	\$138,368	\$7,929	\$154,012
Medicaid FFS	\$760	\$53,362	\$815	\$58,526	\$887	\$65,143
Medicaid MC	\$3,655	\$85,362	\$3,974	\$93,624	\$4,361	\$104,209
Commercial FFS	\$4,719	\$26,339	\$5,139	\$28,889	\$5,642	\$32,155
Commercial MC	\$6,541	\$5,854	\$7,136	\$6,421	\$7,845	\$7,147
Private Pay	\$668	\$10,687	\$716	\$11,721	\$780	\$13,047
Charity Care	\$36,645	\$1,483	\$40,150	\$1,627	\$44,713	\$1,811
All Other	\$4,819	\$53,069	\$5,246	\$58,206	\$5,861	\$64,787
Total Revenue		\$483,641		\$530,453		\$590,428
Revenue Reduction		(\$274,588)		(\$309,580)		(\$338,701)
Other Operating Revenue		\$49,679		\$56,010		\$61,278
<u>Non-Operating Revenue</u>		\$4,825		\$5,440		\$5,952
Total Revenues		\$263,557		\$282,323		\$318,957
<u>Expenses</u>						
Operations	\$1,728	\$292,860	\$1,907	\$328,406	\$1,992	\$348,846
Capital	\$90	<u>\$15,212</u>	<u>\$93</u>	<u>\$16,000</u>	<u>\$97</u>	<u>\$16,992</u>
Total Expenses	\$1,818	\$308,072	\$2,000	\$344,406	\$2,089	\$365,838
Days		169,487		172,181		175,109

<u>Outpatient Revenue</u>	<u>Current Year</u>		<u>Year One</u>		<u>Year Three</u>	
	<u>Per Visit</u>	<u>Total</u>	<u>Per Visit</u>	<u>Total</u>	<u>Per Visit</u>	<u>Total</u>
	<u>(Whole \$)</u>	<u>(\$000s)</u>	<u>(Whole \$)</u>	<u>(\$000s)</u>	<u>(Whole \$)</u>	<u>(\$000s)</u>
Medicare FFS	\$1,718	\$293,552	\$1,933	\$334,421	\$2,027	\$363,527
Medicare MC	\$1,375	\$264,618	\$1,547	\$301,459	\$1,623	\$327,695
Medicaid FFS	\$1,878	\$29,059	\$2,113	\$33,105	\$2,216	\$35,986
Medicaid MC	\$1,204	\$192,779	\$1,354	\$219,618	\$1,420	\$238,732
Commercial FFS	\$1,192	\$140,965	\$1,341	\$160,590	\$1,406	\$174,566
Commercial MC	\$1,285	\$24,475	\$1,445	\$27,883	\$1,516	\$30,310
Private Pay	\$ 75	\$19,118	\$84	\$21,780	\$88	\$23,675
Charity Care	\$6,476	\$3,743	\$7,289	\$4,264	\$7,636	\$4,635
All Other	\$1,348	\$289,116	\$1,517	\$329,367	\$1,590	\$358,033
Total Revenue		\$1,257,425		\$1,432,487		\$1,557,159
Revenue Deduction		(\$765,959)		(\$864,532)		(\$926,067)

<u>Other Operating Revenue</u>		<u>\$30,811</u>		<u>\$44,647</u>		<u>\$65,048</u>
Non-Operating Revenue		\$13,295		\$13,322		\$1,441
Total Revenues		\$535,572		\$625,924		\$697,581
<u>Expenses</u>						
Operations	\$ 468	\$537,044	\$533	\$618,907	\$542	\$653,124
Capital	\$22	<u>\$24,821</u>	\$23	<u>\$26,867</u>	\$24	<u>\$28,446</u>
Total Expenses	\$490	\$561,865	\$556	\$645,774	\$566	\$681,570
Visits		1,147,747		1,162,055		1,204,509
Total Revenue (Inpatient and Outpatient)		\$799,129		\$908,247		\$1,016,538
Total Expenses		<u>\$869,937</u>		<u>\$990,180</u>		<u>\$1,047,408</u>
(Deficiency)/excess of Revenue over Expenses		(\$70,808)		(\$81,933)		(\$30,870)

The following is noted with respect to the submitted budget:

- The Deficiency of Revenues over Expenses in Year One and Year Three include depreciation and interest expenses, without which the operations would generate positive earnings by Year Three.
- All assumptions have been based on the experience of the various operating entities, cost reporting, and other pertinent financial data, including rates of reimbursement where applicable.
- Arnot Ogden Medical Center received \$57,712,468 in Vital Access Provider Assurance Program (VAPAP) funding for SFY 24, and through January 3, 2025, they have received \$62,400,000 for SFY 25. This funding is not included in the budget.
- Revenue reductions for inpatient and outpatient services include contractual obligations for third-party payors, allowances for doubtful accounts, charity care, and bad debt.
 - The Total Current Year revenue reduction is \$1,040,546,989, with Cayuga's portion being \$388,124,027 and Arnot's portion being \$652,422,962.
 - The Total Year One revenue reduction is \$1,174,111,208, with Cayuga's portion being \$437,943,481 and Arnot's portion being \$736,167,727.
 - The Total Year Three revenue reduction is \$1,264,767,703, with Cayuga's portion being \$471,758,353 and Arnot's portion being \$793,009,350.

Utilization by payor for the consolidated Arnot/Cayuga Health Systems is as follows:

<u>Inpatient:</u>	<u>Current Year</u>	<u>Year One</u>	<u>Year Three</u>
Medicaid-FFS	41.40%	41.73%	41.94%
Medicaid-MC	13.77%	13.68%	13.65%
Medicare-FFS	13.81%	13.69%	13.65%
Medicare-MC	11.24%	11.13%	11.09%
Commercial FFS	3.29%	3.27%	3.25%
Commercial MC	.53%	.52%	.52%
Private Pay	9.43%	9.51%	9.55%
Charity Care	.02%	.02%	.02%
All Other	<u>6.51%</u>	<u>6.45%</u>	<u>6.33%</u>
Total	100%	100%	100%

<u>Outpatient:</u>	<u>Current Year</u>	<u>Year One</u>	<u>Year Three</u>
Medicaid-FFS	1.35%	1.35%	1.35%
Medicaid-MC	13.96%	13.96%	13.96%
Medicare-FFS	14.89%	14.89%	14.89%
Medicare-MC	16.77%	16.77%	16.77%
Commercial FFS	10.30%	10.30%	10.30%
Commercial MC	1.66%	1.66%	1.66%
Private Pay	22.34%	22.34%	22.34%
Charity Care	.05%	.05%	.05%
All Other	<u>18.68%</u>	<u>18.68%</u>	<u>18.68%</u>
Total	100%	100%	100%

Affiliation Agreement

Cayuga Health Systems, Inc., entered into an Affiliation Agreement with Arnot Health, Inc., to create a new active parent entity, Centralus, to control the operations. The applicant has submitted an executed agreement, summarized below:

Dated:	15-Sep-23
Entity:	Cayuga Health Systems, Inc.
Entity:	Arnot Health, Inc
New Parent to both Entities	Centralus Health, Inc.

Capability and Feasibility

There are no project costs associated with this application. While the applicant has shown losses from the Current Year to Year Three, they've projected improved operations by Year Three with an overall positive change of \$39,938,000. The loss in Year Three includes \$35,666,138 in depreciation expense and \$1,287,230 in interest expense, without which the operations would generate earnings before interest and depreciation of approximately \$6,083,368. The facility has also received VAPAP funding for SFY24 of \$57,712,468, and as of January 3, 2025, they've received \$62,400,000 for SFY 25. This funding was not included in the budget as it is awarded on a year-by-year basis, which is not guaranteed.

BFA Attachment A, 2022-2023 Certified Financial Statements of Arnot Health, Inc., shows a negative working capital position, positive net asset position, and a deficiency of revenue over expenses of (\$41,574,513) in 2022. The deficiency is attributed to the facility's operations worsening further due to the pandemic, cost increases, and a lack of consistent volume recovery. In 2023, Arnot had a positive working capital position, positive net asset position, and an excess of revenue over expenses of \$6,044,024.

BFA Attachment B, 2024 Internal Financial Statements of Arnot Health, Inc., show the organization had positive working capital and net asset positions. The organization experienced a deficiency of revenues over expenses of (\$910,006).

BFA Attachment A, 2022-2023 Certified Financial Statements of Cayuga Health System, Inc., shows a positive working capital position, positive net asset position, and a deficiency of revenue over expenses of (\$22,600,862) in 2022. In 2023, Cayuga had a negative working capital position, positive net asset position, and a deficiency of revenue over expenses of (\$12,566,341). Losses are attributable to increasing market inflation pressures. Operating costs have increased by between 9% to 25% annually, while payer rates have only increased by 3% to 10% annually.

BFA Attachment D, 2024 Internal Financial Statements of Cayuga Health System, Inc. show the facility had negative working capital, a positive net asset position, and experienced an excess of revenue over expenses of \$17,874,380.

BFA Attachment E, Pro Forma Balance Sheet of Centralus Health, Inc., shows the new entity will have a positive net asset position of \$334,817,150 as of the first day of operations.

Conclusion

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

Attachments

HSA Attachment A	Common Ground, Finger Lakes Health Systems Agency Health Review
BFA Attachment A	2022-2023 Certified Financial Statements of Arnot Health, Inc
BFA Attachment B	2024 Internal Financial Statements of Arnot Health, Inc
BFA Attachment C	2022-2023 Certified Financial Statements of Cayuga Health System, Inc
BFA Attachment D	2024 Internal Financial Statements of Cayuga Health System, Inc.
BFA Attachment E	Pro Forma Balance Sheet for Centralus Health, Inc.
BFA Attachment F	Organization Chart for Centralus Health Inc., Cayuga Health Systems Inc., and Arnot Health Inc.